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TOBACCO Situation

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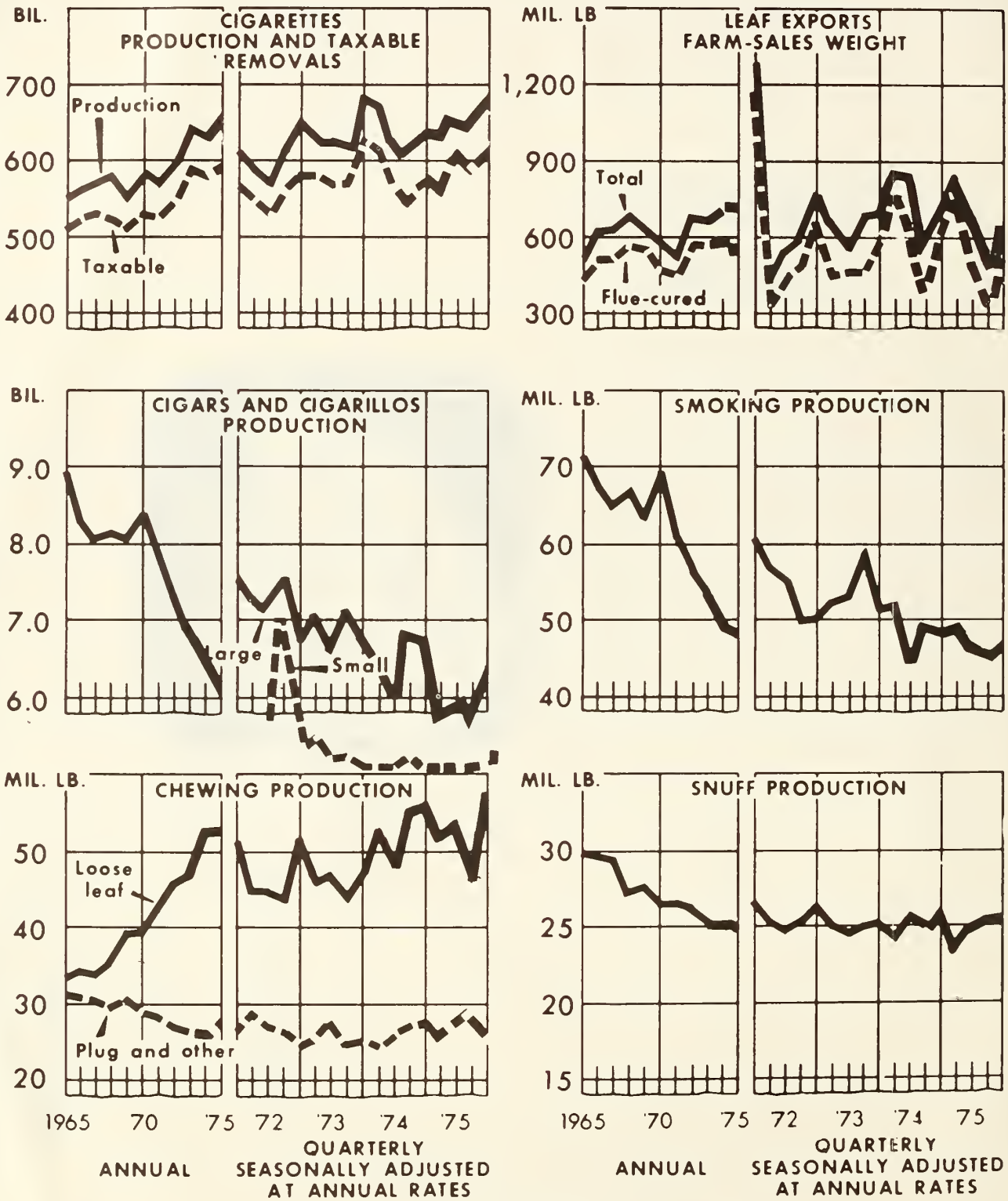
TOBACCO OUTLETS

Trends in Manufactured Products and Exports



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THE TOBACCO SITUATION

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Approved by
The Outlook and Situation Board
and Summary released
December 12, 1975

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The *Tobacco Situation* is published in March, June, September, and December.

SUMMARY

Domestic tobacco supplies for 1975/76 are up 5 percent from last season. Beginning stocks are larger, and the 1975 crop is up 10 percent from last year, the largest since 1964.

U.S. tobacco use in the current marketing year may exceed the 1.9 billion pounds of last season, but fall short of equaling the 1975 crop total of 2.2 billion. This will add a significant amount to the 3 billion pounds carryover at the start of the 1975/76 marketing year, and help rebuild what was the second lowest level in 28 years.

Basic and effective quotas for growers will total less next season but not much change in total tobacco output is projected. This past season unfavorable weather dropped yields below the 1970-74 average.

Flue-cured auction prices gained in the second half of the 1975 marketing season as more leaf grades were sold, but for the entire season prices averaged 5 percent lower than in 1974. Burley sales began in late November with prices averaging below 1974's record high levels. Some other U.S. tobaccos have sold at higher prices this season.

A recovery in cigarette output means domestic tobacco use in 1975/76 likely will total a little above last marketing year's level. Despite steady to lower domestic tobacco prices and larger supplies, U.S. exports of unmanufactured tobacco for this season through October remain below last season's total.

Again in 1975, U.S. cigarette manufacturers have increased cigarette unit sales. Cigarette output is rising about 1 percent above 1974. Further gains in adult population and the improved economic conditions should boost cigarette output in 1976 to another record. In contrast, cigar volume trails 1974's output and the downtrend may continue in 1976.

Exports of U.S. unmanufactured tobacco declined during calendar year 1975 to around 575 million pounds (650 million pounds, farm-sales weight). This level of exports will set a record dollar value, but the quantity will be one-eighth lower than 1974. Higher U.S. prices, less favorable dollar conversion rates for foreign buyers, larger foreign crops and a slowdown in growth of world cigarette output have contributed to the drop.

Total leaf exports for the 1976 calendar year may remain near this year's level, or close to the

562 million pound average for 1965-74. Continuing U.N. sanctions on trade with Rhodesia are helping U.S. exports and Japan's purchases of U.S. leaf picked up again this year. However, with rising excise taxes, U.S. leaf use in West Germany is off and U.K. cigarette manufacturers took less.

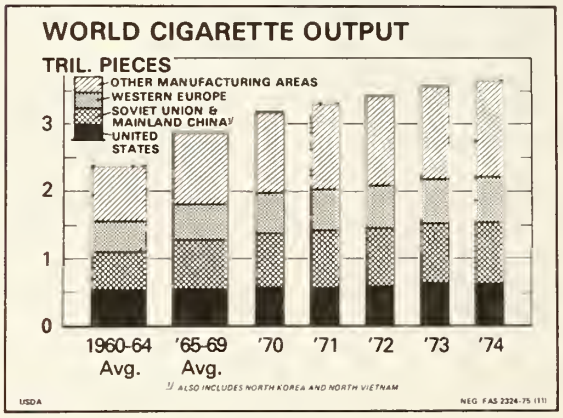
Imports accounted for about 22 percent of U.S. manufacturers' tobacco utilization last marketing year (20 percent of use for cigarettes and 75 percent for cigars). Oriental leaf is the principal kind of import. Cigarette tobacco imports for factory use this year may gain one-sixth to around 260 million pounds. This quantity includes 30 million pounds of scrap and about 36 million pounds of flue-cured and burley leaf.

At 3.1 billion pounds, the flue-cured tobacco supply for the 1975/76 marketing year (July-June) is 7 percent above last year. Growers sold 13 percent more. The combination of a larger carryover and weaker buyer demand held the grower price average to $1.00 per pound, 5 cents below the 1974 record-high. With marketings exceeding use, mid-1976 carryover will increase from the 1.65 billion pounds of a year earlier.

The 1976 national flue-cured marketing quota has been cut 15 percent from 1975. The effective quota (reflecting adjustments for the last season's marketings above and below quota) is about 1.4 billion pounds, 10 percent lower than last year. The average support level goes up about 13½ percent next season. Some inputs for the 1976 tobacco crop are more plentiful so production costs may increase at a slower rate.

Burley tobacco supply for 1975/76 is 1.73 billion pounds, about 3 percent above last season. Burley auctions through December 11 averaged $1.05 per pound, 10 cents below last year when record high prices prevailed. The 1975 burley crop is an estimated 639 million pounds, 4 percent above 1974's production. About two-thirds of the crop will be sold in the pre-Christmas sales period. Auction prices usually decline seasonally when sales resume in January. Carryover on October 1 gained slightly as domestic use and exports in 1974/75 fell below earlier estimates.

Supplies of fire-cured and cigar binder tobaccos are above last season, while supplies of several other kinds are lower. For fire-cured, dark air-cured, and cigar filler and binder, supplies remain near the normal supply level defined in quota legislation, so USDA may have to consider increasing or suspending quotas on these kinds for the 1976 crops. Marketing quotas and acreage allotments for tobacco under price support will be announced by February 1.



TOBACCO PRODUCTS

More Cigarettes Smoked

Gains in adult population are pulling U.S. cigarette consumption 1½ percent above the 1974 level. Consumption totaled about 457 billion cigarettes during January-September 1975, 1 percent above a year earlier. Most of the gain occurred in the third quarter, and seasonal sales patterns suggest further increases in the fourth quarter. Domestic consumption (taxable removals) takes about 90 percent of cigarette output (table 1). With steady economic recovery anticipated for next year, centering around consumer spending, cigarette output and consumption may rise further.

Cigarette manufacturers increased wholesale prices 6 percent in November to $12.75 per thousand ($13.25 for 100 mm). The announced wholesale prices are up 1½ cents per pack, (15 cents per carton). As a result of the wholesale price increase and gains in margins, retail prices are expected to have risen about 3 cents per pack by the end of December.

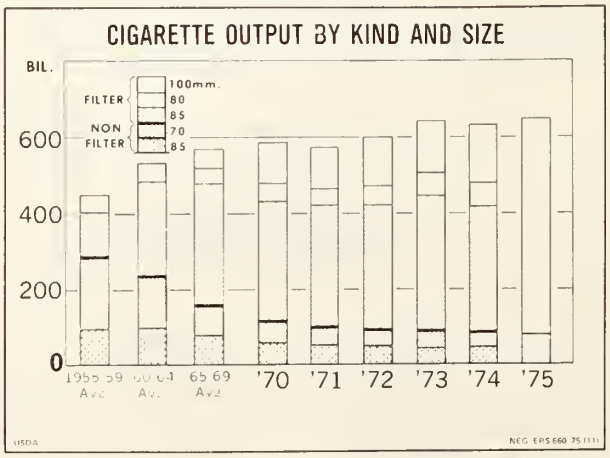


Table 1.--Cigarettes: Output, removals, and consumption, 1962-75

Year	Output	Removals					Total U.S. consumption 2/
		Taxable	Tax-exempt				
			Total	Exports	Puerto Rico and U.S. possessions	Overseas forces 1/	
	Billions						
1962	535.5	494.5	41.1	24.1	3.1	13.9	508.4
1963	550.6	509.6	41.1	23.6	3.2	14.3	523.9
1964	539.9	497.4	42.6	25.1	3.7	13.8	511.2
1965	556.8	511.5	44.2	23.1	3.9	17.2	528.7
1966	567.3	522.5	46.1	23.5	3.9	18.7	541.2
1967	576.2	527.8	49.0	23.7	3.9	21.4	549.2
1968	579.5	523.0	53.8	26.5	4.7	22.7	545.7
1969	557.6	510.5	47.1	25.0	3.7	18.4	528.9
1970	583.2	532.8	51.2	29.2	3.7	18.4	3/536.4
1971	576.4	528.9	49.2	31.8	2.7	14.7	3/550.0
1972	599.1	551.0	49.0	34.6	2.1	12.3	3/566.8
1973	644.2	590.3	55.9	41.5	2.0	12.4	3/589.7
1974	635.0	576.2	59.2	46.9	1.9	10.4	3/600.0
1975 4/	650.0	590.0	60.0	48.5	1.5	10.0	3/610.0

1/ Also includes ship stores and small tax-exempt categories. 2/ Taxable removals plus overseas forces. 3/ Includes estimated inventory changes. 4/ Estimated.
Compiled from reports of the Bureau of Alcohol, Tobacco and Firearms, and the Bureau of the Census.

Table 2.--Cigars and smoking tobacco: Output, removals, and consumption, 1964-75

Year and item	United States factories			From Puerto Rico taxable	Imports	Exports	Total U.S. consumption 1/
	Output	Removals					
		Taxable	Tax-exempt				
	Millions						
Large cigars 2/							
1964	8,736	8,122	193	809	28	44	9,108
1965	7,899	7,578	180	913	25	55	8,641
1966	7,165	7,076	193	1,075	25	73	8,296
1967	6,858	6,846	197	1,099	30	76	8,096
1968	7,184	6,759	169	1,036	48	66	7,946
1969	6,931	6,739	169	1,080	45	65	7,968
1970	7,094	6,706	152	1,259	46	54	8,108
1971	6,707	6,506	131	1,222	48	46	7,861
1972	6,025	5,896	139	1,272	62	75	7,294
1973	5,655	5,554	143	1,304	75	107	6,969
1974	5,284	5,008	136	1,224	74	86	6,356
1975 3/	5,000	4,700	135	1,170	80	85	6,000
	Million pounds						
Smoking tobacco							
1964	82.4	79.0	3.4	---	2.7	1.4	83.7
1965	71.8	67.3	3.0	---	2.1	1.0	71.4
1966	67.3	65.3	1.5	---	3.3	.9	69.2
1967	64.8	62.7	2.0	---	3.7	1.3	67.1
1968	66.3	64.1	1.9	---	5.5	1.8	69.7
1969	63.9	62.6	1.6	---	5.7	1.1	68.8
1970	69.4	65.6	1.5	---	8.4	.9	74.6
1971	60.5	61.3	1.4	---	8.4	1.2	69.9
1972	55.9	55.1	1.3	---	11.9	1.1	67.2
1973	53.0	51.7	1.5	---	8.0	1.2	60.0
1974	48.9	49.0	1.0	---	10.9	1.3	59.6
1975 3/	47.5	46.5	1.0	---	8.7	1.7	54.5

1/ Total removals (or sales) from U.S. factories plus those from Puerto Rico, and imports, minus exports. 2/ Includes cigarillos. 3/ Estimated.
Compiled from reports of the Bureau of Alcohol, Tobacco and Firearms, Bureau of the Census, and Agricultural Marketing Service, USDA.

U.S. cigarette exports to leading destinations, 1974-75

Country	1974	January-October	
		1974	1975
	Billions	*Billions*	*Billions*
Hong Kong	5.2	4.2	3.3
Belgium-Luxembourg	4.8	3.8	6.2
Spain	2.4	2.0	1.9
Lebanon	2.3	2.3	.9
Saudi Arabia	2.1	1.7	2.0
Netherlands-Antilles	2.5	1.9	3.1
Kuwait	2.9	2.6	1.4
Japan	3.1	2.5	3.1
Panama	1.2	1.1	.7
Ecuador	2.0	1.6	.5
Mexico	1.3	1.1	.7
Iran	.9	.7	2.7
United Arab Emirates	1.1	1.1	1.3
Other countries	15.1	12.9	13.7
Total	46.9	39.5	41.5

Subject to revision.

Compiled from publication and records of the Bureau of the Census.

Cigars: Taxable removals by revenue class, January-September 1975

Retail class and retail price	Number	Change from 1974[1]
	Billions	*Percent*
A-D (up to 8 cents)	2.30	-10.1
E (over 8 to 15 cents)	1.32	-10.7
F-G (over 15 cents)	.70	+4.0
Total removals	4.32	-8.3

[1] Computed from unrounded data.

Tobacco products: Output 1973-75

Item	1973	1974[1]	1975[2]
	Million pounds	*Million pounds*	*Million pounds*
Chewing tobacco			
Plug	18.6	18.0	18.3
Twist	2.1	2.2	2.2
Fine cut	5.7	6.2	7.0
Loose leaf	47.6	52.9	53.0
Total	74.0	79.2	80.5
Snuff	25.3	25.0	24.7
Smoking tobacco in bulk (exports)	25.9	38.9	17.0
	Millions	*Millions*	*Millions*
Small cigars	4,343	3,139	3,100

[1] Subject to revision. [2] Estimated.

Basic data compiled from reports of Bureau of Alcohol, Tobacco and Firearms, and Agricultural Marketing Service, USDA.

Even though retail cigarette prices are averaging 7 percent higher in 1975, the hike for cigarettes is less than the overall rise in consumer prices. This year three States and the District of Columbia raised their cigarette taxes. This compares with rises for 2 States in both 1974 and 1973. By October, the weighted average State cigarette tax was 12.3 cents per pack, about the same as a year earlier.

New York City has repealed its 4 cents tax on brands high in tar and nicotine content and added an 8 cents per pack levy. The net increase is 4 cents per pack for most brands. Administration and enforcement problems of the tar and nicotine tax have been cited.

Large-Cigar Volume Declines

Large cigar (including cigarillos) consumption will be down considerably for all of 1975 since third quarter consumption was 12 percent lower than a year earlier, after running 6 percent lower in the first and second quarters (table 2). U.S. smokers (including those overseas) consumed 4.4 billion cigars and cigarillos in January-September, 7 percent fewer than a year earlier. Cigar shipments from Puerto Rico, as well as U.S. output, were down. This year's sales are smaller in all price categories retailing for less than 20 cents each. Cigars selling for 20 cents or more recorded an 18 percent gain. Since 1964, the overall consumption trend has been downward; this pattern may continue in 1976 as younger smokers apparently show less preference for cigars than their elders.

For *small cigars* (not over 3 pounds per 1,000) the 1975 taxable removals may remain near 1974's

U.S. bulk smoking tobacco exports to leading, destinations, 1974-75[1]

Country	Calendar year 1974	January-October	
		1974	1975
	Million pounds	*Million pounds*	*Million pounds*
Dominican Republic	2.0	1.4	2.1
Switzerland	12.9	12.1	5.0
Netherlands	3.2	1.0	.3
Spain	2.4	2.8	1.1
Canary Islands	4.3	3.1	.1
Ecuador	1.3	1.3	.7
Finland	2.8	2.2	1.3
Australia	1.6	1.6	.5
Other countries	8.4	6.1	3.8
Total	38.9	31.6	14.9

[1] Subject to revision.

Compiled from publications and records of the Bureau of the Census.

high level of 3.1 billion. Small cigars sell for less apiece than cigarettes and large cigars. Early in 1973 manufacturers voluntarily withdrew most radio and TV advertising for small cigars and then in late 1973 a U.S. law banned those ads.

Sales Slip for Smoking Tobacco

Domestic use of *smoking tobacco*—including imports—totaled 39 million pounds through September, 14 percent below a year earlier. The domestic categories of pipe tobacco, roll-your-own, and sack cut, as well as imports were down. Consumption may have steadied in the fourth quarter, so for all of 1975 smoking tobacco consumption will show a drop of around a tenth below 1974. Domestic output will do well to hold its own in 1976.

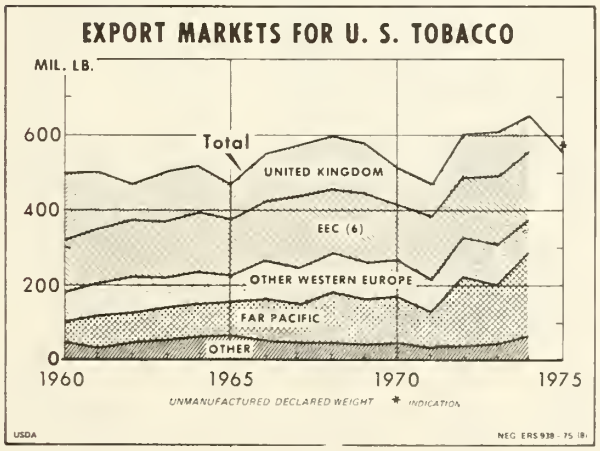
Chewing tobacco output was off in the third quarter, as loose leaf tobacco output was brought closer in line with manufacturers' sales. Total production for 1975 may top last year's figure by 2 percent. The gain is occurring in plug and fine-cut tobacco. Loose leaf chewing tobacco output is about the same. *Snuff* sales have gained so far this year but remain below production, so snuff output for all of 1975 is estimated slightly below 1974.

U.S. EXPORTS AND IMPORTS

Calendar Year Leaf Exports Declining

Exports of unmanufactured tobacco through October this year fell 16 percent below a year earlier by volume but up were 4 percent in value. The 1975 total may reach around 575 million pounds (630 million pounds, farm-sales weight), some 10 percent below 1974's high level. Larger crops and increased stocks in many foreign countries slowed U.S. exports. The recession overseas also contributed to the drop. Since U.S. tobacco costs about twice as much as most foreign leaf, overseas buyers are reluctant to buy more than minimum requirements from U.S. supplies.

Exports in calendar year 1976 may remain near this year's level. Total U.S. supplies have increased but supplies of high quality leaf usually taken by overseas buyers may remain in short supply. Production increases by competing foreign producers this year apparently have taken care of the annual gain in foreign cigarette tobacco requirements. Effective with the 1973 crop the export payment program was terminated. Barter transactions also remain suspended. UN sanctions on Rhodesian trade continue to help U.S. producers. Limited CCC export credit and Public Law 480 sales also have been authorized.



For January-October 1975, decreases in exports were recorded for flue-cured—the principal export class—and most other types (tables 3 and 4). Among major markets, United Kingdom, West Germany, Netherlands, Thailand, and Taiwan took less. In total, the 9-member European Community took 17 percent less U.S. tobacco. Larger shipments went to Italy and Switzerland. Takings by Japan and the Philippines remained about the same.

Imports Still Gain

Through October this year, U.S. tobacco imports for consumption (duty paid imports) rose 8 percent by weight above a year earlier. Cigarette leaf tobacco, the major import class, is up, reflecting a high level of cigarette production, ample foreign supplies available at lower cost than U.S. tobaccos, and short supplies of virtually all kinds of U.S. tobacco (until the 1975 crop becomes available). Scrap tobacco imports have declined with the reduced level of cigar output, Imports may increase further in 1976 as cigarette and chewing tobacco output rises.

January-October 1975 general imports of tobacco (i.e., direct entries plus placements in bonded warehouses for later factory use) were one-fifth above the year-earlier level. Both cigarette and cigar tobacco arrivals increased.

With arrivals of tobacco increasing faster than use of imports, U.S. stocks of foreign-grown cigarette and smoking tobacco on October 1, 1975, rose to 587 million pounds (farm-sales weight). This was 19 percent above a year earlier, and a record high for that date. Over one-third of the foreign-grown tobacco stocks consisted of flue-cured and burley.

Table 3—United States exports of unmanufactured tobacco by types and to principal importing countries, 1971-75

Country and type	(Declared weight)				January-October		
	1971	1972	1973	1974[1]	1974[1]	1975[1]	1975 as a percentage of 1974[2]
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Percent*
Flue-cured	341.1	425.3	418.3	440.9	340.3	293.7	86
Burley	36.7	53.7	59.3	60.8	57.0	52.4	92
Maryland	9.0	11.0	9.6	10.9	8.7	3.2	36
Fire-cured, Ky. and Tenn.	19.6	20.6	18.4	19.4	16.9	11.5	67
Virginia fire-cured and sun-cured	2.9	5.0	3.0	[3]6.0	[3]4.3	2.8	65
Green River and One Sucker	1.0	.6	.4	1.0	.9	.3	35
Black Fat	2.5	3.3	3.1	2.7	2.3	2.9	123
Cigar wrapper	2.5	3.1	2.1	2.9	2.1	3.5	169
Cigar binder	.1	.1	.1	.1	.1	.2	205
Cigar filler	.3	.3	.3	.6	.6	.2	31
Perique	.1	.3	.2	.2	.1	.1	106
Stems, trimmings, and scrap	57.0	82.9	98.1	105.9	77.0	55.5	72
Total	473.3	606.1	613.0	651.4	510.2	426.2	84
Country of destination							
United Kingdom	89.8	115.1	119.7	94.3	68.8	44.4	65
France	10.1	7.7	6.6	8.2	6.5	6.6	103
Belgium-Luxembourg	15.6	12.9	16.7	14.4	12.9	6.6	51
Netherlands	28.1	22.4	31.6	31.0	27.5	23.9	87
West Germany	100.0	99.3	99.9	97.1	93.4	78.3	84
Denmark	16.7	20.8	37.0	12.6	10.6	11.3	106
Ireland	9.0	14.3	8.9	10.2	8.8	6.3	71
Switzerland	18.2	23.5	31.4	21.3	17.3	22.5	130
Finland	4.8	5.3	6.1	4.0	3.5	6.3	182
Norway	4.3	7.0	5.7	5.4	4.6	5.2	114
Sweden	14.7	20.5	17.1	14.5	12.8	12.0	94
Italy	16.4	23.1	21.8	24.3	22.5	31.1	138
Spain	5.2	4.6	4.3	8.0	6.3	7.9	126
Thailand	18.9	30.5	8.6	20.6	20.6	18.7	91
South Vietnam	17.2	18.9	14.6	13.7	10.5	1.9	18
Malaysia	11.0	8.4	8.0	11.9	10.3	6.3	61
Philippine Republic	4.7	9.5	8.8	11.2	9.9	9.9	100
Taiwan	9.6	14.2	16.7	23.8	23.8	12.4	52
Japan	18.6	87.3	79.0	109.6	44.4	44.4	100
Australia	10.9	14.8	13.9	18.7	13.5	10.4	77
New Zealand	3.8	4.4	5.3	4.8	4.7	4.1	87
Egypt	1.2	.9	2.4	12.3	12.3	9.8	80
Other countries	44.5	40.8	48.9	79.5	64.7	45.9	71
Total	473.3	606.1	613.0	651.4	510.2	426.2	84

[1] Subject to revision. [2] Computed from unrounded data. [3] Includes 2.2 million pounds misclassified. [4] Shipments of 1973/74 purchases were bunched at the end of calendar year 1973. Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

Table 4--United States exports of unmanufactured tobacco by types, to principal importing countries, crop years, 1972/73-1974/75 1/

(Declared weight)

Importing countries	1972-1973	1973-1974	1974-1975 2/
	Million pounds		
	Flue-cured, types 11-14		
United Kingdom	84.8	91.1	68.3
West Germany	69.9	75.8	71.1
Japan	52.4	61.7	71.4
Netherlands	11.8	17.0	14.2
Thailand	18.7	23.7	15.7
Australia	10.0	14.2	8.6
Italy	8.3	13.5	22.0
Sweden	6.7	8.1	5.8
Norway	3.2	4.3	3.3
Finland	3.4	2.9	2.8
Denmark	13.9	13.8	7.7
Ireland	7.7	6.8	7.7
Belgium	13.5	10.7	7.6
Switzerland	10.1	10.7	11.9
South Vietnam	14.5	10.2	4.1
Philippine Republic	3.9	6.6	4.0
Spain	3.6	5.7	8.5
Malaysia	7.0	11.0	7.3
Taiwan	13.9	20.7	18.9
New Zealand	3.8	4.3	2.9
Other countries	31.1	36.1	51.0
Total	392.2	448.9	414.7
	Burley, type 31		
Italy	8.8	10.4	10.5
Sweden	2.6	3.8	2.6
Denmark	3.8	2.0	1.5
Netherlands	2.6	2.9	1.9
Japan	4.2	6.3	6.9
West Germany	17.2	15.0	8.5
Switzerland	4.6	3.6	1.5
Syria	1.2	1.0	1.7
Thailand	1.6	2.9	3.0
Philippine Republic	2.6	6.3	4.7
Other countries	8.6	13.1	8.3
Total	57.8	67.3	51.2
	Maryland, type 32		
Belgium	1.7	.8	1.5
West Germany	2.3	2.4	1.2
Switzerland	6.3	4.4	2.9
Other countries	1.3	1.8	.8
Total	11.6	9.4	6.4
	Ky.-Tenn. fire-cured, types 22-23		
Sweden	.5	.3	.5
Netherlands	3.8	13.9	6.7
Belgium	.8	.7	.7
France	2.1	1.7	2.8
Switzerland	1.5	1.6	.9
Other countries	2.2	3.2	2.4
Total	11.8	21.4	14.0
	Stems, Trimmings, and Scrap		
Sweden	6.5	4.4	4.1
Denmark	5.4	7.1	2.6
United Kingdom	22.5	23.6	18.3
West Germany	5.0	8.9	6.2
Japan	16.6	20.7	24.7
Other countries	29.3	36.8	37.2
Total	85.3	101.6	93.1

Importing countries	1972-1973	1973-1974	1974-1975 2/
	Thousand pounds		
	Va. fire and sun-cured, types 21,& 37		
Switzerland	195	254	727
Norway	1,893	1,240	1,799
Sweden	307	242	509
West Germany	237	965	657
Other countries	845	1,112	636
Total	3,477	3,813	4,328
	One Sucker, type 35		
Cameroon	54	343	0
Belgium	44	218	86
Zaire	134	102	36
Other countries	150	37	40
Total	382	700	162
	Green River, type 36		
United Kingdom	117	108	87
Zaire	44	74	30
Other countries	50	1	106
Total	211	183	224
	Cigar Filler, types 41-44		
New Zealand	---	304	19
France	233	300	192
Other countries	46	74	36
Total	279	678	247
	Conn. Binder, types 51-52		
West Germany	21	2	15
United Kingdom	0	0	36
Canada	21	7	58
Other countries	50	109	74
Total	92	118	184
	Wis. Binder, types 54-55		
West Germany	0	0	0
Other countries	5	0	1
Total	5	0	1
	Cigar Wrapper, types 61-62		
United Kingdom	1,155	549	713
West Germany	598	482	392
Canada	272	312	185
Dominican Republic	138	112	1,538
Canary Islands	183	159	23
Other countries	550	513	1,037
Total	2,894	2,127	3,888
	Black Fat		
Dahomey	1,877	1,292	1,692
Cameroon	390	483	541
Niger	128	326	451
Nigeria	211	192	232
Togo	405	240	355
Other countries	131	109	148
Total	3,142	2,642	3,419

1/ July-June crop year for flue-cured, cigar wrapper, stems, trimmings, and scrap; October-September for all other types.
2/ Subject to revision. Detail may not add to total due to rounding.
Compiled from publications and records of the Bureau of the Census.

Table 5--U.S. imports of unmanufactured tobacco for consumption and general, principal categories, and countries of origin, 1974 and January-October 1974-75

(Declared weight)

Classification and country of origin	Imports for consumption				General imports (arrivals)			
	Total 1974	January-October			Total 1974	January-October		
		1974	1975	1975 as a percentage of 1974		1974	1975	1975 as a percentage of 1974
	- - Million pounds - -			Percent	Million pounds - -			Percent
Cigarette tobacco:								
Leaf, unstemmed								
Oriental								
Turkey	112.4	96.4	94.8	98	93.9	75.5	63.7	84
Greece	24.2	21.1	22.9	109	15.6	14.3	18.8	131
Yugoslavia	16.5	14.6	11.0	75	15.7	15.7	15.6	99
Lebanon	8.9	7.8	7.8	100	30.2	6.9	10.9	158
Other countries	3.9	2.9	9.4	324	7.3	22.8	45.0	197
Flue-cured and burley	22.1	16.1	34.2	212	52.6	40.1	69.7	174
Subtotal	188.0	158.9	180.1	113	215.3	175.3	223.7	128
Scrap								
Turkey	6.7	5.8	5.2	90	7.7	7.3	8.5	116
Other countries 2/	28.2	22.4	15.8	71	33.1	28.6	20.4	71
Total	222.9	187.2	201.1	107	256.1	211.2	252.6	120
Cigar tobacco:								
Wrapper	1.2	1.1	1.2	109	2.2	1.9	1.8	95
Filler-stemmed and unstemmed								
Dominican Republic	2.1	1.7	1.8	106	11.3	8.8	10.4	118
Other countries	8.8	7.2	10.4	144	31.5	26.5	21.5	81
Subtotal	10.9	8.9	12.2	137	42.8	35.4	31.9	90
Scrap								
Philippine Republic	24.2	23.1	11.2	49	16.6	14.0	14.4	103
Colombia	3.6	3.0	4.2	140	3.0	2.7	2.4	89
Dominican Republic	6.7	5.3	7.7	145	2.0	1.8	2.0	111
Brazil	9.8	7.7	9.8	127	3.1	2.7	3.2	119
Other countries	16.6	13.3	17.7	133	19.8	12.7	23.6	186
Subtotal	60.9	52.4	50.6	97	44.5	33.9	45.6	134
Total	73.0	62.4	64.0	103	89.5	71.2	79.3	111
Stems	4.0	3.5	8.7	249	4.0	3.5	9.0	257
Grand total	299.9	253.1	273.8	108	349.6	285.9	340.9	119

1/ Preliminary.
2/Canada, Mexico, Yugoslavia, Greece, Cyprus, Syria, Lebanon, India, Thailand, Korea, Angola, Mozabique, Zambia, and Malawi.
Detail may not add to total due to rounding.

Compiled from publications and records of the Bureau of the Census.

TOBACCO LEAF SITUATION AND OUTLOOK[1]

1975 Crop Highlights

The 1975 tobacco crop is about 10 percent larger than last year. A larger gain was forecast earlier in the season, but unfavorable weather conditions limited crop output. Larger quotas were set for flue-cured and burley, and acreage of both crops increased. Flue-cured yield averaged less per acre than last year in Georgia, South Carolina, and Virginia. Burley output forecasts declined as the season progressed; the crop suffered from dry weather in July and rains in August. However, harvest was not hindered as it was last season when a heavy frost hit in September. Average yield for all tobacco is 2,018 pounds per acre this season, compared with 2,066 pounds last season and the 1969-73 average of 2,032 pounds. Acres harvested totaled 1,086 thousand, or 13 percent above last year.

Besides the increased crop size, flue-cured and burley had small gains in carryover. For most other tobacco types smaller carryovers were reported. So overall, larger supplies are available for the 1975/76 marketing year. Prices for the current season will likely average 5 percent below the record high of 1974-75. With the weaker demand, volume of tobacco placed under loan this season was the largest since 1967's high level.

Farmer's cash receipts from tobacco in calendar 1975 are setting a record, 3 percent above the 2.15 billion in 1974. Volume is up, more than offsetting the price declines for flue-cured and burley tobaccos.

For 1976, support levels will rise as required by law, and grower costs are expected to again go up. Look for about the same sales volume next year, at higher prices.

QUOTAS, ALLOTMENTS, AND PRICE SUPPORT

1976 Marketing Quotas and Allotments

The 1976 national quota for flue-cured tobacco is 15 percent smaller than 1975. With the carryover of undermarketings from the 1975 crop, the effective quota is reduced 10 percent. For several years USDA has annually suspended quotas on cigar binder tobacco produced in the Connecticut Valley when supplies are below normal (defined in the quota legislation). Since supplies of fire-cured, dark air cured, and cigar filler and binder are each near their normal supply level, USDA may have to consider increasing quotas on those kinds for the 1976 crop.

By February 1, USDA will announce the 1976 marketing quotas and acreage allotments for burley and several other kinds of tobacco. Shortly after the announcement, growers of fire-cured and dark air-cured will vote in referendums for or against marketing quotas on their next three crops. If at least two- thirds of the voters approve, marketing quotas will be in effect. In previous referendums for flue-cured, burley, cigar binder, Virginia sun-cured, and Ohio filler types, farmers approved marketing quotas for the 1976 crop.

On December 3, S. 700, a bill to permit leasing of flue-cured allotments across county lines in the same State was approved by the Senate Committee on Agriculture and Forestry. The bill provides for

[1]All quantities in this section are stated in farm-sales weight equivalent unless otherwise noted.

U.S. tobacco: Acreage and yield, 1973-75

Type	Acreage				Yield per acre			
	1973	1974	1975[1]	Change from 1974	1973	1974	1975[1]	Change from 1974
	1,000 acres	*1,000 acres*	*1,000 acres*	*Percent*	*Pounds*	*Pounds*	*Pounds*	*Percent*
Flue-cured								
11—Old and Middle Belt, VA.-N.C.	209.0	214.0	247.0	+15	1,891	1,794	1,704	-5
12—Eastern N.C.	180.0	188.0	229.0	+22	2,255	2,110	2,150	+2
13—S.C.—Border N.C.	114.0	130.0	154.0	+18	2,075	2,104	2,096	0
14—Georgia—Florida	72.1	84.3	88.6	+5	1,651	2,219	2,070	-7
Total, types 11-14	575.1	616.3	718.6	+17	2,011	2,014	1,975	-2
Burley, type 31	222.1	261.2	279.8	+7	2,026	2,345	2,288	-2
Total, all types 11-72	886.6	963.1	1,086.6	+13	1,965	2,066	2,018	-2

[1] November 1 indications; burley is December 1.

growers in each State to vote in a referendum whether the leasing will apply in that State. Approval will be by a simple majority of growers voting.

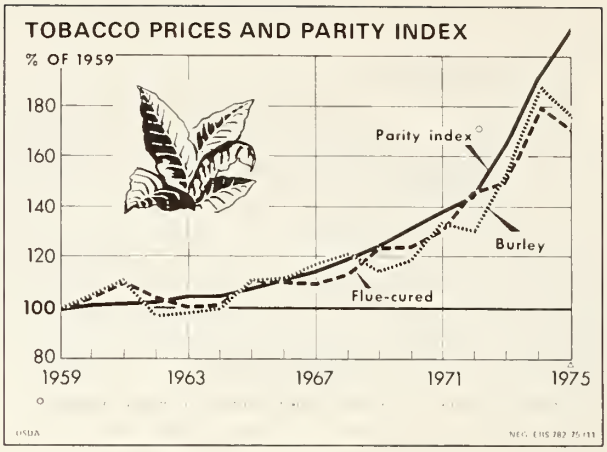
1976 Price Support Levels

Price supports for eligible 1976 tobacco crops are expected to rise 13½ percent above the 1975 price support level—some 91 percent above the 1959 base used for the calculation. As required by law, the 1976 price support adjustment will be based on the average of the parity index for 1973-1975 compared with 1959. USDA probably will announce average support levels by tobacco types in the spring and individual grade loan rates just before the opening of the various marketing seasons.

On September 30, H.R. 9497, a bill to base the price support adjustment on the average of 3 previous marketing years, instead of calendar years, was vetoed by the President.

FLUE-CURED

With larger carryover as well as a larger crop, the flue-cured supply for 1975/76 is 8 percent above last season. Utilization this marketing year will probably gain from last year's level, but fall short of the 1975 crop. This means carryover next July



should gain even further. For next season's crop, the national poundage quota is down 15 percent. With this past season's undermarketings exceeding overmarketings, next season's effective quota will go down about 10 percent. This size crop, added to estimated carryover, would provide a supply next season about 4 percent larger (table 6).

1975 Auction Prices Decline

Prices for the 1975 flue-cured crop failed to match 1974's record. But sales volume was up enough to set a new crop value record. Industry

Table 6—Flue-cured and burley tobacco: Marketing quota and marketings, 1965-76

Year	Quota		Marketings				Net Carryover[2]
	Basic	Effective	Actual	Over-quota	Under-quota	Effective under quota[1]	
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
			Flue-cured, types 11-14				
1965	1,126.0	1,124.4	1,055.5	27.1	96.0	91.2	64.0
1966	1,135.0	1,199.0	1,107.9	35.0	126.1	111.1	76.1
1967	1,126.3	1,202.4	1,247.5	77.9	30.8	18.4	-59.5
1968	1,127.5	1,067.9	996.4	26.5	96.6	86.1	59.6
1969	1,127.4	1,187.0	1,052.1	26.6	157.9	145.9	119.3
1970	1,071.5	1,190.8	1,178.2	65.1	71.2	63.4	-1.7
1971	1,071.6	1,069.9	1,076.3	60.4	49.9	45.8	-14.5
1972	1,071.2	1,056.7	1,022.1	41.2	72.9	68.1	26.8
1973	1,178.7	1,205.6	1,159.0	54.8	100.5	95.3	40.5
1974	1,296.6	1,337.1	1,245.3	50.0	138.9	132.4	82.5
1975	1,491.4	1,572.0	[3]1,410.0				[3]155.0
1976[3]	1,268.0	1,423.0					
			Burley, type 31				
1971	555.1	553.0	471.5	9.7	91.1	89.7	80.1
1972	531.5	611.5	588.6	30.7	45.7	44.6	13.9
1973	559.7	573.6	460.7	11.3	113.1	111.7	100.3
1974	606.5	706.8	607.9	23.0	121.6	106.1	83.1
1975	669.4	[4]750.4					

[1] Under quota marketing less ineligible carryover. [2] Effective under quota marketings less over quota marketings. [3] Preliminary. [4] Subject to revision.

Compiled from records and reports of Tobacco and Peanut Division, ASCS.

Table 7.--Flue-cured tobacco: Gross sales (including resales) average price and loan receipts by Belt, 1967-75

Marketing season	Old Belt type 11 (a)	Middle Belt type 11 (b)	Eastern N.C. Belt type 12	N.C. Border and S.C. Belt type 13	Ga.-Fla. Belt type 14	All Belts
	Million pounds					
1967	260	152	359	322	224	1,317
1968	202	110	295	268	164	1,039
1969	235	116	321	266	157	1,096
1970	230	130	367	295	201	1,224
1971	217	117	323	268	182	1,107
1972	201	109	323	249	166	1,048
1973	249	124	385	270	153	1,181
1974	383	2/	420	290	197	1,290
1975 1/	418	2/	523	339	190	1,470
	Average price per pound					
	Cents					
1967	61.9	62.7	64.7	65.0	65.6	64.1
1968	64.8	64.0	67.5	66.8	68.3	66.5
1969	71.3	71.4	72.3	72.6	73.3	72.2
1970	70.1	70.0	72.7	71.7	74.3	71.9
1971	77.4	77.2	78.4	75.7	76.8	77.2
1972	82.3	84.8	87.2	85.3	85.4	85.3
1973	88.2	88.1	89.0	86.8	87.7	88.1
1974	106.0	2/	105.9	103.9	102.8	105.0
1975 1/	98.5	2/	101.2	99.8	100.1	100.0
	Receipts under Government loan					
	Million pounds					
1967	84.5	49.7	79.8	57.2	11.0	282.1
1968	36.0	26.9	24.3	29.5	12.0	128.8
1969	24.2	14.9	37.3	13.3	8.0	97.6
1970	29.7	19.8	43.3	28.8	22.7	144.2
1971	9.1	5.4	19.2	15.5	6.4	55.7
1972	11.4	3.1	8.2	1.1	.4	24.3
1973	7.4	4.3	17.0	3/2.4	.2	31.3
1974	5.1	2/	8.1	7.5	2.4	23.1
1975 1/	86.4	2/	90.9	57.4	29.3	264.0
	Percentage of net sales under Government loan					
	Percent					
1967	34.1	34.2	23.0	19.0	5.3	22.6
1968	18.8	25.3	8.5	11.5	7.8	12.9
1969	10.8	13.4	11.9	5.2	5.4	9.3
1970	13.4	15.8	12.1	10.2	11.9	12.2
1971	4.3	4.8	6.1	6.0	3.7	5.2
1972	6.0	3.0	2.6	.5	.3	2.4
1973	3.0	3.5	4.5	.7	.1	2.7
1974	1.4	2/	2.0	2.7	1.3	1.9
1975 1/	21.6	2/	17.9	18.0	16.1	18.8

1/ Preliminary. 2/ Included in Old Belt. 3/ Includes 0.5 million pounds direct deliveries at end of season.

Compiled from records and reports of Tobacco Division, Agricultural Marketing Service.

takings from the crop were down and loan placements were the highest in 8 years.

The 1975 flue-cured auction season lasted 20 weeks and ended November 26. About nine-tenths of the crop had been sold by November 3. Opening week prices averaged about the same as a year earlier but as better grades came to market the seasonal price increase was less than in 1974, due to weaker demand and poor quality. October sales brought the highest average, 105.5 cents per pound, which was 6 cents below a year earlier. The usual end-of-season price decline was sharper in 1975.

Price decreases from last season were greatest for variegated and nondescript grades. The season average price for gross sales (including resales) was $1.00 per pound—down 5 cents from last year's record average. The average price fell in all belts; declines ranged from 3 cents for type 14 to 8 cents for type 11 (table 7).

Marketings totaled the highest of the 11 seasons under the acreage poundage program. Producer sales at auctions totaled 1,407 million pounds—about 167 million more than in 1974. Crop quality deteriorated from last year. There was a smaller proportion of fine and good grades in 1975 and more lugs, primings, and nondescript tobacco. Resales were above the 1974 season, averaging 4 percent of gross sales. With the grower designation program, graders and buyers were assigned according to grower preferences, so that only 5 percent of the crop was sold outside of the belt where produed.

About 19 percent of sales went under loan this season. Four-fifths of loan receipts consisted of primings, lugs, and nondescript grades. Loan volume was the highest since 1967.

The Flue-cured Stabilization Cooperative, the association handling tobacco under loan, sold only 7 million pounds during July through November compared with 77 million for the same period last year. But some of Stabilization's earlier sales were moved into trade channels this marketing year. Loan stocks at the beginning of 1976/77 may nearly double the low level of 180 million pounds held last July 1.

Marketing Conditions Improved as Season Progressed

Despite the larger flue-cured crop, a slow selling pace prevailed in July and early August as the crop was immature and growers could not fulfill the early sales opportunities. Also some growers held back because of disappointment at early season prices. Manufacturers and exporters maintained about the same processing plant capacity as last year so the sales opportunity averaged about 85 million pounds weekly.

For the second year, growers designated a warehouse for the sale of their crop and the USDA Flue-cured Tobacco Advisory Committee recommended opening dates and selling schedules to USDA. A buyer rotation plan was used and selling times were allocated according to the grower designations. Growers were able to change their warehouse designation at the beginning of each month, if they wished.

After the auction sales ended in each belt, the Stabilization Cooperative again processed and stored carryover tobacco. About 0.5 million pounds came in under this separate pooling arrangement. Most growers lack facilities for farm storage of their overproduction—the volume of tobacco exceeding 110 percent of their marketing quotas. Growers would be heavily penalized if they sold this excess tobacco before the next marketing year.

U.S. flue-cured exports to principal countries, 1973-75 (export weight)

Country	July-October		
	1973	1974	1975
	Million pounds	*Million pounds*	*Million pounds*
United Kingdom	40	29	15
West Germany	26	30	24
Japan	5	2	7
Netherlands	6	5	6
Ireland	1	3	1
Thailand	6	0	0
Australia	3	2	5
Belgium	4	4	2
Denmark	10	6	8
Switzerland	5	2	4
Sweden	6	6	7
Egypt	([1])	11	9
Taiwan	3	7	0
Others	26	22	21
Total	141	129	109

[1] Less than 500,000 pounds.

Compiled from records and reports of the Bureau of the Census.

Exports Are Down

Flue-cured exports for July-October 1975 were below the year earlier level, but about the same as the comparable period in 1969-73. Among the leading destinations, takings by West Germany and the United Kingdom were off sharply so far this year, as they continued to expand their takings from other sources. Also, unfavorable economic conditions held down total trade. Taiwan did not take any tobacco in contrast to a sizable shipment a year earlier. However, substantially increased shipments went to other Asian countries—Australia, Japan, and the Philippines. Heavy shipments usually go to Japan in midseason, and their purchases have already risen a tenth. By October, unit value had risen 7 percent above October 1974. Larger overseas supplies, high U.S. prices, and less favorable dollar exchange rates are ex-

Table 8—Flue-cured tobacco, types 11-14, and burley tobacco, type 31: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1965-76

(Farm-sales weight)

Marketing year	Acreage harvested	Yield per acre	Production	Beginning stocks[1]			Total supply
				Manufacturers and other	Under loan	Total	
	Thousand acres	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
	Flue-cured, types 11-14						
1966	607.0	1,825	1,107.9	1,602.5	836.4	2,438.9	3,546.8
1967	610.3	2,070	[2] 1,250.0	1,587.1	685.4	2,272.5	3,522.5
1968	533.0	1,841	[2] 995.6	1,528.1	773.4	2,301.5	3,297.1
1969	576.8	1,825	1,052.8	1,299.6	800.5	2,100.1	3,152.9
1970	584.1	2,042	[2] 1,178.1	1,227.5	744.9	1,972.4	3,150.5
1971	525.8	2,050	[2] 1,076.3	1,214.5	761.9	1,976.4	3,052.7
1972	513.6	1,971	[2] 1,022.1	1,292.4	617.8	1,910.2	2,932.3
1973	575.1	2,011	[2] 1,159.0	1,347.0	402.3	1,749.3	2,908.3
1974	616.3	2,014	[2] 1,245.1	1,330.6	276.7	1,607.3	2,852.4
1975[3]	718.5	1,975	[2] 1,410.0	1,471.9	179.9	1,651.8	3,061.8
1976[3]				1,486.8	340.0	1,826.8	
	Burley, type 31						
1966	240.7	2,437	586.7	1,133.4	261.9	1,395.3	1,982.0
1967	237.7	2,274	540.6	1,104.8	276.7	1,381.5	1,922.1
1968	237.6	2,372	563.4	1,002.4	321.7	1,324.1	1,887.5
1969	237.7	2,488	591.4	975.7	340.8	1,316.5	1,907.9
1970	216.4	2,590	560.5	887.9	454.8	1,342.7	1,903.2
1971	213.5	2,213	472.6	882.4	468.4	1,345.8	1,818.4
1972	235.6	2,552	[2] 590.3	920.9	327.6	1,248.5	1,838.8
1973	222.1	2,028	[2] 461.4	952.5	276.7	1,229.2	1,690.6
1974	261.2	2,345	[2] 610.4	931.5	139.2	1,070.7	1,681.1
1975[3]	279.3	2,288	639.0	1,082.4	12.0	1,094.4	1,733.4
1976[3]				1,073.4	50.0	1,123.4	

Marketing year	Disappearance			Average price per pound	Price support level	Placed under Government loan	
	Total	Domestic	Exports			Quantity	Percentage of crop
	Million pounds	*Million pounds*	*Million pounds*	*Cents*	*Cents*	*Million pounds*	*Percent*
	Flue-cured, types 11-14						
1965	1,175.5	752.4	423.1	64.6	57.7	71.5	6.8
1966	1,274.3	687.2	587.1	66.9	58.8	74.6	6.8
1967	1,221.0	687.7	533.3	64.2	59.9	282.1	22.6
1968	1,197.0	671.7	525.3	66.6	61.6	128.8	12.9
1969	1,180.5	645.9	534.6	72.4	63.8	97.6	9.3
1970	1,174.1	640.1	534.0	72.0	66.6	144.2	12.2
1971	1,142.5	662.5	480.0	77.2	69.4	55.7	5.2
1972	1,183.0	664.2	518.8	85.3	72.7	24.3	2.4
1973	1,301.0	703.0	598.0	88.1	76.6	30.7	2.7
1974	1,200.6	652.3	548.3	105.0	83.3	24.7	2.0
1975	[4] 1,235.0	[4] 710.0	[4] 525.0	[3] 100.0	93.2	264.2	18.7
	Burley, type 31						
1965	606.7	549.6	57.1	67.0	59.5	42.2	7.2
1966	600.5	544.1	56.4	66.9	60.6	62.5	10.6
1967	598.0	544.6	53.4	71.8	61.8	64.2	11.9
1968	571.0	516.1	54.9	73.7	63.5	56.2	10.0
1969	565.2	507.1	58.1	69.6	65.8	158.2	26.8
1970	557.4	503.0	54.4	72.2	68.6	47.7	8.5
1971	569.9	515.2	54.7	80.9	71.5	.2	---
1972	609.6	534.5	75.1	79.2	74.9	22.9	3.9
1973	619.0	533.1	86.8	92.9	78.9	.7	.1
1974	586.7	518.8	67.9	113.7	85.8	2.8	.5
1975	[4] 610.0	[4] 540.0	[4] 70.0	[5] 104.8	96.1	[5] 34.0	[5] 8.4

[1] July 1 for flue-cured; October 1 for burley. [2] Sales. [3] Subject to revision. [4] Estimated. [5] Through December 16.

pected to limit exports to many destinations. By June, exports may total 5 percent below last season's 548 million pounds.

Supplies Larger in 1975/76

With carryover and current crop both larger, the season's flue-cured supply of 3.07 billion pounds is about 8 percent above last year, but still one-fifth below the 1964/65 record (table 8). The 1975 crop outturn was about 13 percent above 1974's level. Harvested acreage in 1975 increased 17 percent while the average yield per acre decreased.

The gain in U.S. cigarette output may offset the decline in exports in prospect for this marketing year. So total disappearance may about equal last year's level. But the substantially larger 1975 crop, will bring next July's carryover above last July's.

Tobacco loan stocks, 1973-75

(Farm-sales weight)

Type	End of November		
	1973	1974	1975[1]
	Million pounds	*Million pounds*	*Million pounds*
Flue-cured, 11-14	364.5	270.0	309.2
Uncommitted	261.1	95.8	265.5
Burley, 31	273.9	128.7	9.0
Uncommitted	101.0	0	.1
Virginia, 21	([2])	0	0
Kentucky-Tennessee, 22-23	3.3	1.0	.5
Kentucky-Tennessee, 35-36	13.1	4.9	.1
Ohio, 42-44	0	0	0
Puerto Rican, 46	0	1.4	0
Connecticut Valley, 51-52	2.1	2.0	([2])
Wisconsin, 54-55	0	0	0
Total	656.0	408.0	584.4

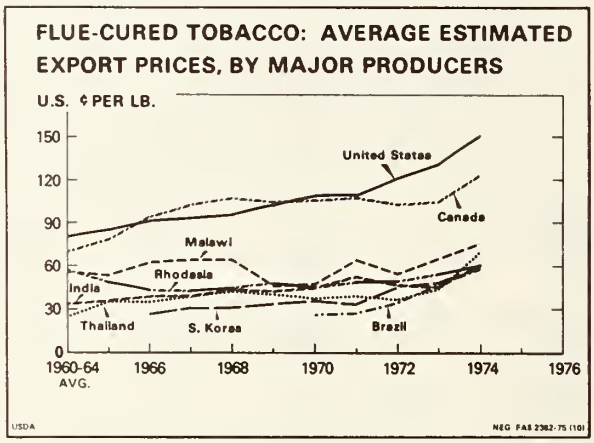
[1] October 31. [2] Negligible.

Compiled from records of Tobacco and Peanut Division, ASCS.

1976 Quota Reduced 15 Percent

USDA announced on November 7 the national flue-cured marketing quota for 1976 of 1,268 million pounds. The quota was decreased 15 percent from 1975 to maintain supply in line with market demand.

Acreage allotments and poundage quotas for individual farms will reflect 1975 undermarketings and overmarketings. Aggregate marketings this past season were 12 percent below the effective quota. The average shortfall since the acreage-poundage program began in 1965 was 5 percent. The base quota plus estimated net undermarketings gives an effective 1976 quota of about 1,423 million pounds, or 10 percent below 1975. A crop close to the quota, when added to prospective carryover, would provide a 1976/77 supply about 4 percent above this year's level.



BURLEY

Auction Prices Below 1974's Record

Auction sales of the 1975 burley crop began November 24 and will close December 18 for the Christmas holidays. Sales resume on January 5. Gross sales totaled 337 million pounds and averaged $1.05 per pound during the first 3 weeks of sales. Opening sales were lower in volume than a year earlier as some growers concerned about the price postponed their deliveries. Then in early December, dry weather slowed the pace of stripping and market preparation. Growers will sell about two-thirds of the crop in the pre-Christmas sales this year compared with 76 percent last season.

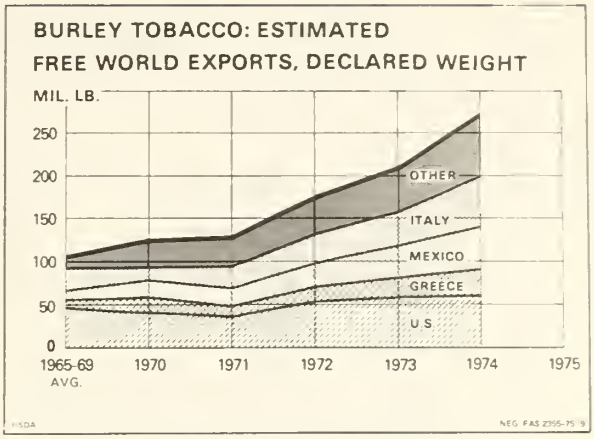
Burley tobacco: Percentage of selected groups, quality, and color categories of total

Crop year	Mixed group	1, 2, 3 quality	Tan color
	Percent	*Percent*	*Percent*
1960-64 average	2.1	21.9	51.3
1965-69 average	3.6	29.8	59.6
1970	7.8	37.3	57.5
1971	14.2	43.9	63.1
1972	16.7	50.6	67.0
1973	22.6	47.6	65.7
1974	31.4	40.0	54.7

Compiled from reports of Tobacco Division, AMS.

Prices opened 3 cents below last year's opening and remained near the opening level in succeeding sales. Sales contained larger percentages of lower quality grades but the percentage of mixed grades dropped. Better grades are selling 18 cents per pound above support levels, about the same as last year. The first week, some leaf and tip grades were up 2 to 3 cents per pound from last year but nondescript grades dropped 13 to 22 cents.

Grade loan rates range from 71 to 103 cents a pound, with an average support level of 96.1 cents. USDA increased grade price supports from 5 to 12 cents per pound over 1974 levels. Through December 11, the two burley cooperatives took 7 percent of sales under loan. Only 0.5 percent went under loan last year.



1974/75 Disappearance

During the year ended September 30, 1975, burley disappearance totaled 586 million pounds. This was about 5 percent below the previous year but slightly above the 1968-72 average. Both exports and domestic use were lower. The fallback from 1974's record high level was due to short U.S. supplies and larger overseas crops.

Domestic burley use declined 3 percent. In comparison, during the same 12 months, a decline of 2 percent occurred for U.S. cigarette manufacture, the principal outlet for burley. During the same period, smoking tobacco output fell 7 percent to a record low 48 million pounds. Bulk exports, consisting of blended tobaccos processed for cigarette manufacture, were off 10 million pounds. Some countries have shifted to unmanufactured tobacco imports for local processing. With burley tobacco use per cigarette stabilizing, increased cigarette production in 1975/76 would point to a gain in domestic burley disappearance.

Burley exports for the crop year ended September 30, 1975, were 19 million below the previous year, with volume totaling 68 million pounds. Most destinations took less. The Netherlands recorded most of the decrease. Japan's takings have steadily increased as U.S. type blend becomes preferred in that country. Italy overtook West Germany as our leading foreign burley market due to increased manufacture of cigarette with U.S. tobaccos. West German manufacturers have substantially turned to other sources. American burley tobacco use declined in 1974, accounting for just 17 percent of West Germany's burley imports. By the end of 1974, West Germany's stocks of U.S. burley were off 6 percent from the start of the year while their total burley stocks were up 4 percent.

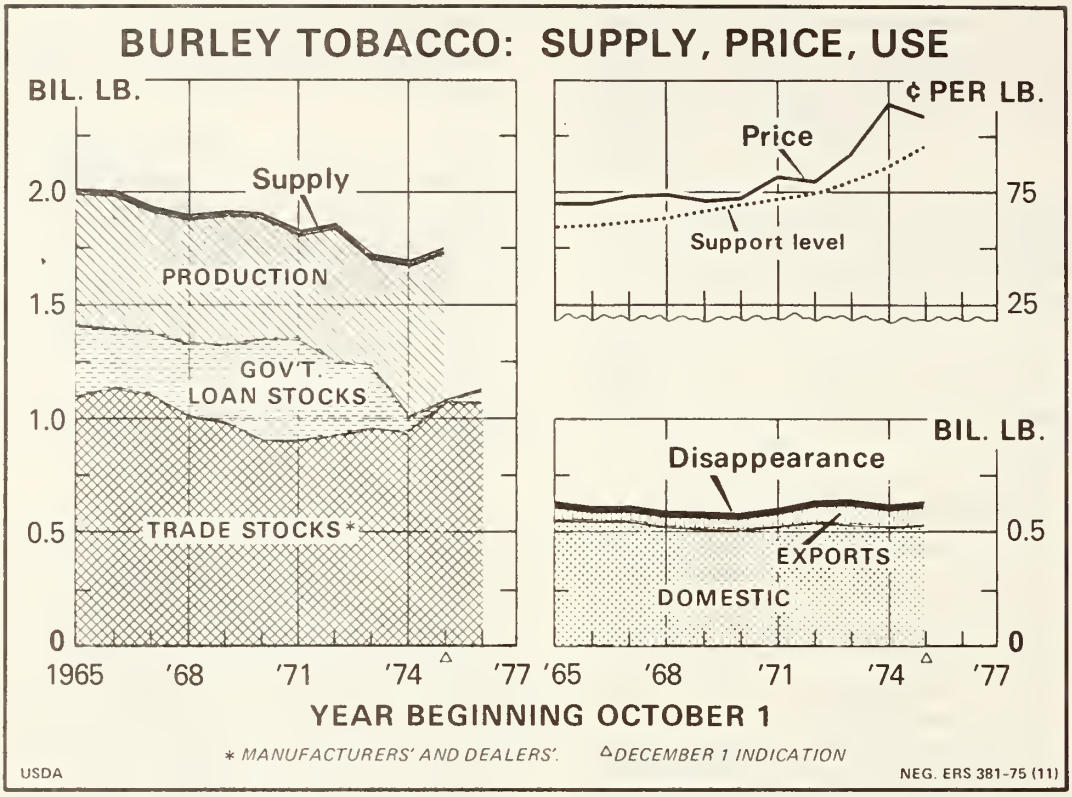
Supplies Higher

This season's burley supply of 1,733 million pounds is about 3 percent above last season but 15 percent below the 1964/65 peak (table 8). The 1975 crop, estimated December 1 at 639 million pounds, was 4 percent above last year's crop. This reflects larger acreage that more than offset reduced yields due to less favorable weather conditions over most of the belt Nonetheless, yields are averaging near those of the 4 years (1971-74) under the poundage program. Effective farm poundage quotas totaled 750 million-pounds, 43 million above last year's total. Harvested acreage gained 7 percent from last year while estimated yield fell 3 percent.

Burley carryover on October 1 was up 2 percent from a year earlier with a larger crop in 1974. Carryover under government loan was down to only 12 million pounds as loan stocks from 1973 and earlier crops were sold a year ago. With a moderate loan take this season, most of that quantity is expected to remain as loan carryover for the next marketing year.

Supply for 1975/76 is equal to 2.8 times probable disappearance, about the same as last season. This is about in line with the desirable ratio based on the legislative formula. With supply in line with use little change in carryover is expected by next October 1. However, manufacturers and dealers held 136 million pounds of foreign burley on October 1, 48 million above a year earlier. These stocks may have been considered necessary to assure an adequate supply.

Outlook for burley in 1976 hinges partially on the quota decisions USDA will make by February 1. Burley poundage legislation requires that the national quota for any year not be less than 95 percent of estimated marketing year disappearance nor less than 95 percent of the previous year's quota. For 1975/76 the basic allotment was set at 667 million pounds. By contrast, disappearance in 1974/75 totaled 586 million pounds, 5 percent below the previous year. Not much change is indicated for 1975/76, but burley stocks are barely adequate. As in the past, individual farm quotas are adjusted for the previous year's overmarketings and undermarketings.



SOUTHERN MARYLAND

1974/75 Disappearance Up

During the year ended September 30, 1975, disappearance of Maryland tobacco was 33.5 million pounds, 7.5 million above the low level of the previous year (table 9). The 1975 crop output fell below 1974. Acreage and yield are indicated lower.

Domestic use of Maryland tobacco at 25 million pounds was 11 million above last year but 15 million below 1968's level. Domestic use in the current marketing year may remain about the same as that in the past year.

Last marketing year's exports totaled 8.5 million pounds—down almost 4 million from the previous year. Switzerland's takings were down, but still accounted for about one-half of exports. Switzerland increased its imports from West Germany, Bulgaria, South Korea, and the Philippines.

Southern Maryland tobacco, type 32: Production and price, Maryland, and other States, 1973-75

Crop year	Production		Average price per pound to growers	
	Maryland	Other States[1]	Maryland	Other States[1]
	Million pounds	*Million pounds*	*Cents*	*Cents*
1973	31.5	3.5	90.5	63.7
1974	30.2	2.6	95.6	51.4
1975	[2] 24.2	[3] 2.0		

[1] Compiled from sales and certification data, Tobacco Division, AMS. [2] November 1 crop prospects. [3] Estimated.

Supplies Lower

Carryover on January 1, 1976, is estimated to fall slightly below a year earlier. The 1975 Southern Maryland tobacco crop, including that grown in flue-cured and burley areas, is estimated at 26

Table 9—Southern Maryland tobacco, type 32: Acreage, yield, production, carryover, supply, disappearance, season average price, 1968-75

Marketing year	Acreage harvested	Yield per acre	Supply			Disappearance[1]			Average price per pound to growers
			Production	Stocks, Jan. 1	Total	Total	Domestic	Exports	
	Thousand acres	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Cents*
1968	29.0	1,100	31.9	81.5	113.4	48.7	38.3	10.4	69.8
1969	26.5	1,060	28.1	66.7	94.8	41.3	29.1	12.2	75.1
1970	27.0	1,090	29.4	50.1	79.5	39.5	27.6	11.9	78.6
1971	27.0	1,040	28.1	46.0	74.1	25.5	17.5	8.0	81.9
1972	24.0	990	23.8	46.6	70.4	25.5	13.4	12.1	84.5
1973[2]	27.8	1,260	35.0	43.8	78.8	26.0	13.7	12.3	87.8
1974[2]	26.0	1,260	32.8	51.8	84.6	33.5	25.0	8.5	92.2
1975[2,3]	25.0	1,050	26.2	51.1	77.3				

[1] Year beginning October 1. [2] Includes sales and certification data from production in quota areas. [3] November 1 crop prospects.

million pounds, 20 percent or about 7 million pounds below the previous season. Acreage allotments were not in effect, since growers have regularly disapproved marketing quotas. Estimated supply (current crop plus estimated carryover) for 1975/76 is about 9 percent below a year earlier. Auction sales of the 1975 Maryland tobacco crop will begin April 6 and end May 27.

FIRE-CURED

Auction Prices

Auction markets for Virginia fire-cured tobacco (type 21) opened December 2. For sales through December 10 prices averaged 94 cents a pound, 7 cents above last year's level. Quality remained about the same as last year's crop. Markets close for the holidays on December 18 and reopen in January. Auctions for Kentucky-Tennessee fire-cured (types 22 and 23) are expected to open around the middle of January. At an estimated 39 million pounds, the 1975 fire-cured crop is 20 percent above 1974. Acreage and yield gains are recorded for the Kentucky-Tennessee types. The Virginia crop is down slightly.

Supplies Up

A larger crop offsets the reduced carryover and brings the 1975/76 supply of fire-cured types to 87 million pounds—almost 3 million above a year earlier. The increase is in the Kentucky-Tennessee types as Virginia fire-cured supplies stabilized the past 3 years. Based on last season's use, this supply would last about 2½ years. On October 1, the beginning of the marketing year, government loan stocks were only 0.4 million pounds, the lowest in many years. Total carryover next October will probably remain about the same (table 10).

Disappearance Decreases

Disappearance of fire-cured types in 1974/75 was 36 million pounds—about 10 million pounds less than in the previous season. Both domestic use and exports declined due to reduced supplies. Domestic use of both Virginia and Kentucky-Tennessee types decreased after the previous season's increase. Only the exports of Virginia fire-cured remained near the level of the previous year.

Exports of fire-cured tobacco, including an allowance for Black Fat, decreased 8 million pounds last season. Supplies were record low and prices record high. Exports of Kentucky-Tennessee types to the Netherlands were down sharply. In that country, our major fire-cured destination, cigar and smoking tobacco manufacture is a major part of the tobacco industry. For Black Fat, a semiprocessed product made of fire-cured and dark air-cured leaf, exports increased about 0.8 million pounds. Exports of Virginia fire and sun-cured (21,37) increased as Norway, the major destination, increased its takings.

DARK AIR-CURED

Auction Prices

Auction markets for One Sucker and Green River tobaccos opened December 3 and December 5, respectively (Kentucky-Tennessee dark air-cured, types 35-36). Auctions for Virginia sun-cured (type 37) opened December 9. Farmers received more for each type than last season, and well above the support level of 58.0 cents per pound for sun-cured and dark air-cured tobaccos.

The estimated 14 million pounds dark air-cured crop is larger than 1974's production, but almost 2 million below last season's disappearance. Acreage was up slightly for each type.

Table 10—Fire-cured tobacco, Kentucky-Tennessee types 22-23, and Virginia fire-cured type 21: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-75

(Farm-sales weight)

Marketing year beginning October 1	Acreage harvested	Yield per acre	Production	Beginning stocks, October 1— Manufacturers and other	Under loan	Total	Total supply
	Thousand acres	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
	Kentucky-Tennessee fire-cured, types 22-23						
1967	17.3	1,702	29.5	64.0	27.3	91.3	120.8
1968	17.9	1,822	32.6	57.3	21.5	78.8	111.4
1969	19.0	1,797	34.1	61.1	11.6	72.7	106.8
1970	17.7	1,749	30.9	54.1	9.7	63.8	94.7
1971	19.5	1,928	37.6	48.6	4.7	53.3	90.9
1972	20.4	1,844	37.6	55.0	1.2	56.2	93.8
1973	16.6	1,668	27.7	54.2	3.1	57.3	85.0
1974	16.2	1,602	26.0	44.0	1.1	45.1	71.1
1975[1]	18.2	1,813	33.0	40.5	.1	40.7	73.7
	Virginia fire-cured, type 21						
1967	5.4	1,290	7.0	12.1	2.7	14.8	21.8
1968	4.9	1,205	5.9	8.9	2.8	11.7	17.6
1969	5.0	1,340	6.7	8.0	1.9	9.9	16.6
1970	5.0	1,230	6.2	8.4	1.4	9.8	16.0
1971	5.0	1,180	5.9	8.0	1.0	9.0	14.9
1972	4.8	970	4.7	7.9	.4	8.3	13.0
1973	4.7	1,205	5.7	7.6	([3])	7.6	13.3
1974	5.0	1,185	5.9	7.1	---	7.1	13.0
1975[1]	5.0	1,150	5.8	7.1	.3	7.3	13.1

Marketing year beginning October 1	Disappearance: Total	Domestic	Exports	Average price per pound	Price support level	Placed under Government loan: Quantity	Percentage of crop
	Million pounds	*Million pounds*	*Million pounds*	*Cents*	*Cents*	*Million pounds*	*Percent*
	Kentucky-Tennessee fire-cured, types 22-23						
1967	42.0	14.9	27.1	46.2	41.9	0.8	2.7
1968	38.7	[2] 19.1	19.6	51.1	43.1	.4	1.2
1969	43.0	18.5	24.5	48.1	44.6	1.9	5.6
1970	41.4	13.1	28.3	54.4	46.6	([3])	.1
1971	34.7	16.0	18.7	60.8	48.5	([3])	.1
1972	36.5	14.2	22.3	57.3	50.8	2.8	7.4
1973	39.9	15.7	24.2	71.7	53.5	.2	.7
1974	30.3	14.5	15.8	93.4	58.2	.7	2.7
1975					65.2		
	Virginia fire-cured, type 21						
1967	10.1	3.4	6.7	40.9	41.9	.7	10.1
1968	7.7	3.0	4.7	46.9	43.1	.2	3.4
1969	6.8	1.7	5.1	53.1	44.6	.1	1.5
1970	7.0	2.4	4.6	52.0	46.6	.1	2.0
1971	6.6	3.1	3.5	54.8	48.5	.1	1.0
1972	5.4	1.3	4.1	64.2	50.8	([3])	.1
1973	6.2	1.7	4.5	75.5	53.5	([3])	---
1974	5.7	.7	5.0	81.7	58.2	.3	4.5
1975				[4] 94.4	65.2	([3] [4])	[4] .9

[1] November 1 crop prospects. [2] Includes 4.7 million pounds fire loss, April 1969. [3] Less than 50,000 pounds. [4] Through December 16.

Table 11—Dark air-cured tobacco, types 35-36, and Sun-cured tobacco type 37: Acreage, yield, production, carryover, supply, disappearance, season average price, and price support operations, 1967-75
(Farm-sales weight)

Marketing year beginning October 1	Acreage harvested	Yield per acre	Production	Beginning stocks: Manufacturers and others	Beginning stocks: Under loan	Beginning stocks: Total	Total supply
	Thousand acres	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
	Dark air-cured, types 35-36						
1967	9.5	1,629	15.5	39.2	21.3	60.5	76.0
1968	9.8	1,831	18.0	41.1	17.1	58.2	76.2
1969	10.1	1,793	18.1	44.1	15.0	59.1	77.2
1970	8.2	1,863	15.4	35.5	18.2	53.7	69.1
1971	8.6	1,834	15.7	35.5	14.3	49.8	65.5
1972	8.2	1,875	15.5	33.5	12.7	46.2	61.7
1973	7.6	1,647	12.4	31.9	12.8	44.7	57.1
1974	7.0	1,653	11.6	31.4	5.5	36.9	48.5
1975[1]	7.7	1,800	13.9	32.7	([2])	32.8	46.7
	Sun-cured, type 37						
1967	1.2	1,090	1.3	4.2	0	4.2	5.5
1968	1.1	1,095	1.2	3.9	0	3.9	5.1
1969	1.1	1,225	1.3	3.8	0	3.8	5.1
1970	1.0	1,100	1.1	3.3	0	3.3	4.4
1971	.9	1,200	1.1	3.1	0	3.1	4.2
1972	.8	1,010	.8	3.0	0	3.0	3.8
1973	.7	1,320	.9	3.2	0	3.2	4.1
1974	.7	1,315	.9	3.0	0	3.0	3.9
1975[1]	.8	1,150	.9	2.3	0	2.3	3.2

Marketing year beginning October 1	Disappearance: Total	Disappearance: Domestic	Disappearance: Exports	Average price per pound	Price support level	Placed under Government loan: Quantity	Placed under Government loan: Percentage of crop
	Million pounds	*Million pounds*	*Million pounds*	*Cents*	*Cents*	*Million pounds*	*Percent*
	Dark air-cured, types 35-36						
1967	17.8	14.8	3.0	40.8	37.3	1.4	9.0
1968	17.1	15.0	2.1	47.4	38.3	.7	3.9
1969	23.5	21.2	2.3	40.3	39.7	4.8	26.5
1970	19.3	16.7	2.6	46.0	41.4	1.0	6.8
1971	19.3	17.4	1.9	47.1	43.1	1.7	10.7
1972	17.0	14.7	2.3	50.3	45.2	1.2	.8
1973	20.2	17.4	2.8	61.9	47.6	([2])	.2
1974	15.6	12.8	2.8	76.9	51.8	.3	2.6
1975				[3]90.0	58.0	([2])	[3].1
	Sun-cured, type 37						
1967	1.6	1.2	.4	45.2	37.3	[4]25	1.9
1968	1.3	1.1	.2	53.2	38.3	[4]1	.1
1969	1.8	1.5	.3	52.8	39.7	[4]1	.1
1970	1.3	1.1	.2	53.8	41.4	[4]3	.3
1971	1.2	1.0	.2	54.1	43.1	0	---
1972	.6	.4	.2	57.9	45.2	0	---
1973	1.1	.9	.2	69.2	47.6	0	---
1974	1.6	1.3	.3	82.1	51.8	[4]2	.2
1975				[3]89.6	58.0	[3]0	---

[1] November 1 crop prospects. [2] Less than 50,000 pounds. [3] Through December 16. [4] Quantity placed under Government loan reported in thousand pounds.

Supplies Below Year Ago

The 50 million pounds supply of dark air-cured and sun-cured tobacco for is 2½ million below last season. Supply is lower for each type but most of the drop is in One Sucker and Green River due to reduced carryover (table 11). Based on last year's disappearance, total supplies of dark air-cured tobacco represent about 3 year's use. By October 1, the start of the current marketing year, loan stocks fell to only 30,000 pounds. Carryover will again decline as the disappearance rate exceeds current production.

Disappearance Decreases

Because of the decline in domestic use and stable exports, disappearance of dark air-cured tobacco during 1974/75 was 17 million pounds, about 4 million less than the previous marketing year. Chewing tobacco output gained but other uses declined. Increases in Green River and Black Fat exports were offset by a decline for One Sucker.

CIGAR TOBACCO

U.S. and Puerto Rican Supplies Lower

Continuing the postwar trend, supplies of U.S. and Puerto Rican cigar tobacco are about 4 percent lower than in 1974, (table 12). October 1 carryover is down 3 percent and 1975/76 production is down 7 percent. Most of the supply decline occurred in the cigar filler types, but wrapper supplies are also lower. By the last marketing year the combined disappearance of filler, binder, and wrapper had fallen to about one-half 1967/68's level which had been maintained for about thirty years. On October 31, government loan stocks of cigar tobacco were below 1974's low level.

Production of U.S. cigar types was estimated about 7 percent below 1974. Acreage and yields were down. Buyers paid more per pound for Connecticut binder crops than last season. Purchasing has not begun for other types. U.S. cigar leaf tobacco is sold either directly on the farms or through cooperatives and price data are less detailed than for types sold at auctions. Season average prices will be published in the May 1976 issue of USDA's crop report.

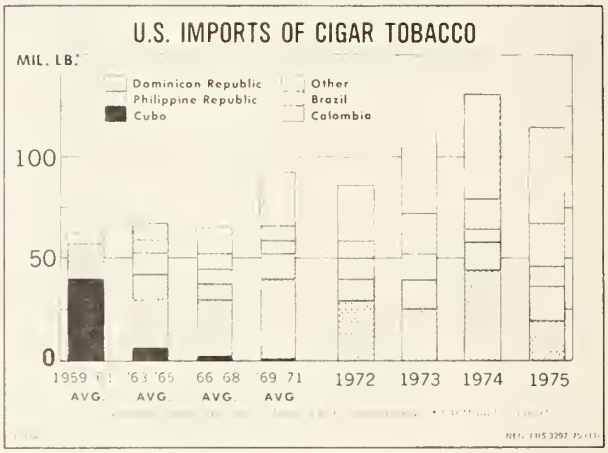
Filler Supplies Decline

Supplies of continental cigar filler (U.S. and Puerto Rican) are 7 percent below 1974 to a new record low level. Production of filler was down 13 percent and carryover was down only 3 percent. These supplies would last about 2½ years, based on 1974/75 disappearance. Disappearance in the 1975/76 marketing year may decline from last season's level and probably will again exceed production. Both filler acreage and yields for the 1975 crop are down.

Imports Supplementing Lower U.S. Supplies

Again last season, cigar tobacco imports substantially exceeded use from domestic cigar supplies. Imports accounted for about three-fourths of U.S. cigar tobacco requirements. With domestic supplies declining further in 1975/76, manufacturers will again draw heavily on foreign leaf.

Manufacturers decreased imports in 1974/75 (October-September) because of reduced cigar production. Last season 115 million pounds of cigar tobacco were imported for consumption, 16 million pounds less than in the previous season. Imports from the Philippines decreased substantially while imports from Brazil and several other suppliers increased. Foreign-grown cigar leaf stocks in the United States on October 1 were 129 million pounds—about 3 million above a year earlier.



Binder Supplies Rise Slightly

Binder tobacco supplies for the season are 2 percent above 1974/75 due to a larger crop. Acreage is up; yields are down slightly.

Cigar binder disappearance last season was 22 million pounds, almost 3 million below a year earlier. Disappearance decreased for Wisconsin and increased slightly for Connecticut Valley binder. Loose leaf chewing tobacco output, the principal outlet for Wisconsin binder, gained 2 million pounds. However, loose leaf manufacturers continue to use other kinds of tobacco to supplement Wisconsin leaf. Connecticut tobacco is used primarily for natural binder in higher-priced cigars. Disappearance may increase this year resulting in stocks remaining about the same.

Table 12—Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-75

(Farm-sales weight)

Crop year	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks[1]	Total supply	Total	Domestic	Exports	
	Thousand acres	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Cents*
	Pennsylvania Seedleaf Filler (type 41)								
1967	21.0	1,825	38.3	112.3	150.6	41.9	41.3	0.6	28.0
1968	21.0	1,775	37.3	108.7	146.0	40.9	40.0	.9	30.0
1969	20.0	1,825	36.5	105.1	140.6	44.3	43.7	.6	30.0
1970	17.0	1,800	30.6	97.3	127.9	40.9	40.7	.2	31.0
1971	15.2	1,610	24.5	87.0	111.5	41.3	40.6	.4	36.0
1972	13.0	1,400	18.2	70.2	88.4	34.7	34.4	.3	46.0
1973	13.0	1,700	22.1	53.7	75.8	28.3	27.5	.8	52.0
1974	13.0	2,000	25.0	47.5	73.5	24.3	24.0	.3	58.0
1975[2]	12.5	1,750	21.9	49.2	71.1				
	Ohio, Miami, Valley Filler (types 42-44)								
1967	2.3	1,580	3.6	15.5	19.1	6.2	6.2	---	29.0
1968	2.0	1,670	3.4	12.9	16.3	5.4	5.4	---	31.0
1969	1.7	1,650	2.8	10.9	13.7	4.7	4.7	---	32.5
1970	1.6	1,750	2.9	9.0	11.9	4.1	4.1	---	38.0
1971	2.0	1,850	3.8	7.8	11.6	4.6	4.6	---	41.0
1972	2.4	1,780	4.2	7.0	11.2	4.4	4.4	---	44.0
1973	2.2	1,420	3.1	6.8	9.9	4.0	4.0	---	51.0
1974	2.0	1,650	3.5	5.9	9.2	3.4	3.4	---	59.0
1975[2]	1.8	1,750	3.2	5.9	9.0				
	Puerto Rico Filler (type 46)[3]								
1967	7.6	1,419	10.8	40.5	51.3	16.9	16.9	---	[4] 33.1
1968	6.0	1,282	7.6	34.4	42.0	16.2	16.2	---	[4] 33.3
1969	4.7	1,303	6.1	25.8	31.9	12.6	12.6	---	[4] 33.6
1970	3.2	1,397	4.5	19.3	23.8	8.8	8.8	---	[4] 36.1
1971	4.8	1,418	6.7	15.0	21.7	9.0	9.0	---	[4] 39.8
1972	5.6	883	4.8	12.7	17.5	8.3	8.3	---	[4] 42.1
1973	4.5	1,435	6.5	9.2	15.7	5.7	5.7	---	[4] 42.1
1974	2.8	1,340	4.0	10.0	14.0	7.9	7.9	---	[4] 45.5
1975[2]	3.0	1,340	4.0	6.1	10.1				
	Total Cigar Filler (types 41-46)								
1967	30.9	1,707	52.7	168.3	221.0	65.0	64.4	.6	29.1
1968	29.0	1,666	48.3	156.0	204.3	62.5	61.6	.9	30.5
1969	26.4	1,721	45.4	141.8	187.2	61.6	61.0	.6	30.6
1970	21.8	1,737	38.0	125.6	163.6	53.8	53.6	.2	32.1
1971	22.0	1,587	35.0	109.8	144.8	54.9	54.5	.4	37.3
1972	21.0	1,293	27.2	89.9	117.1	47.4	47.1	.3	45.0
1973	19.7	1,450	31.7	69.7	101.4	38.0	37.2	.8	49.7
1974	18.0	1,850	33.3	63.4	96.7	35.4	35.1	.3	57.1
1975[2]	17.3	1,630	29.0	61.2	90.2				
	Connecticut Valley Binder (types 51-52)								
1967	1.5	1,819	2.7	16.4	19.1	7.9	5.7	2.2	54.5
1968	1.6	1,808	2.8	11.2	14.0	5.1	4.7	.4	59.5
1969	1.6	1,434	2.3	8.9	11.2	4.2	3.9	.3	58.2
1970	1.7	1,756	2.9	7.0	9.9	2.7	2.4	.3	65.5
1971	1.6	1,743	2.8	7.2	10.0	2.6	2.5	.1	65.1
1972	1.6	1,600	2.5	7.4	9.9	2.4	2.3	.1	70.1
1973	1.6	1,721	2.7	7.5	10.2	3.2	3.1	.1	72.8
1974	1.5	1,737	2.5	7.0	9.5	3.3	3.1	.2	82.0
1975[2]	1.5	1,526	2.2	6.2	8.4				
	Southern Wisconsin Binder (type 54)								
1967	3.8	1,905	7.2	20.7	27.9	8.0	8.0	---	34.4
1968	3.7	1,990	7.4	19.9	27.3	7.7	7.7	---	36.8
1969	3.7	1,740	6.4	19.6	26.0	9.3	9.3	---	36.8
1970	4.4	2,135	9.4	16.7	26.1	7.3	7.3	---	40.2
1971	5.3	2,270	12.0	18.8	30.8	10.5	10.5	---	50.3
1972	5.0	1,685	8.4	20.3	28.7	9.3	8.3	---	48.0
1973	4.9	1,950	9.6	19.4	29.0	10.1	10.1	---	60.5
1974	4.7	2,060	9.7	18.9	28.6	8.8	8.8	---	74.9
1975[2]	5.6	2,000	11.2	19.8	31.0				
	Northern Wisconsin Binder (type 55)								
1967	4.5	1,975	8.9	29.3	38.2	9.3	8.9	.4	34.1
1968	4.0	1,670	6.7	28.9	35.6	14.9	14.5	.4	37.9
1969	3.7	1,815	6.7	20.7	27.4	8.8	8.5	.3	43.4
1970	4.4	2,055	9.0	18.6	27.6	9.2	9.1	.1	52.0
1971	5.3	1,980	10.5	18.4	28.9	9.9	9.9	*	54.0
1972	5.8	1,770	10.3	19.0	29.3	9.8	9.8	*	49.0
1973	5.3	1,775	9.4	19.5	28.9	12.0	12.0	*	60.7
1974	4.7	1,870	8.8	16.9	25.7	9.9	9.9	*	75.4
1975[2]	5.4	1,850	10.0	15.8	25.8				

See footnote at end of table

Table 12—Cigar tobacco, types 41-62: Domestic supplies, disappearance, and season average prices, for 1967-75—Cont.

(Farm-sales weight)

Crop year	Acreage harvested	Yield per acre	Supply			Disappearance			Average price per pound to growers
			Production	Beginning stocks[1]	Total supply	Total	Domestic	Exports	
	Thousand acres	*Pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Cents*
	Total Wisconsin Binder (types 54-55)								
1967	8.3	1,943	16.1	50.0	66.1	17.3	16.9	0.4	34.2
1968	7.7	1,824	14.1	48.8	62.9	22.6	22.2	.4	37.3
1969	7.4	1,778	13.1	40.3	53.4	18.1	17.8	.3	41.8
1970	8.8	2,095	18.4	35.3	53.7	16.5	16.4	.1	51.1
1971	10.6	2,125	22.5	37.2	59.7	20.4	20.4	*	54.9
1972	10.8	1,731	18.7	39.3	58.0	19.1	19.1	*	48.5
1973	10.2	1,859	19.0	38.9	57.9	22.2	22.2	*	60.6
1974	9.4	1,875	18.5	35.8	54.3	18.7	18.7	*	75.1
1975[2]	11.0	1,926	21.2	35.6	56.8				
	Total Cigar Binder (types 51-55)								
1967	9.8	1,924	18.8	66.4	85.2	25.2	22.6	2.6	37.1
1968	9.3	1,821	16.9	60.0	76.9	27.7	26.9	.8	41.0
1969	9.0	1,716	15.4	49.2	64.6	22.3	21.7	.6	44.3
1970	10.5	2,041	21.3	42.3	63.6	19.2	18.8	.4	53.1
1971	12.2	2,075	25.3	44.4	69.7	23.0	22.9	.1	56.1
1972	12.4	1,714	21.2	46.7	67.9	21.5	21.4	.1	51.1
1973	11.8	1,841	21.7	46.4	68.1	25.4	25.3	.1	62.1
1974	10.9	1,934	21.0	42.8	63.8	22.0	21.8	.2	76.0
1975[2]	12.4	1,880	23.4	41.8	65.2				
	Connecticut Valley Shade-grown (type 61)								
1967	8.5	1,124	9.6	16.0	25.6	12.9	9.6	3.3	360.0
1968	8.4	1,215	10.2	12.7	22.9	10.8	9.1	1.7	280.0
1969	6.3	1,288	8.1	12.1	20.2	8.0	7.0	1.0	400.0
1970	6.0	1,535	9.3	12.2	21.5	7.6	6.6	1.0	400.0
1971	4.7	1,635	7.7	13.9	21.6	8.4	5.7	2.7	400.0
1972	4.1	1,250	5.1	13.2	18.5	7.6	4.8	2.8	485.0
1973	5.0	1,210	6.1	10.7	16.8	8.3	6.4	1.9	515.0
1974	4.8	1,625	7.8	8.5	16.3	6.8	2.8	3.9	600.0
1975[2]	4.5	1,400	6.2	9.5	15.7				
	Georgia-Florida Shade-grown (type 62)								
1967	5.1	1,573	8.0	8.7	16.7	7.9	6.3	1.6	245.0
1968	5.0	1,556	7.9	8.8	16.7	9.2	7.1	2.1	270.0
1969	5.0	1,569	7.8	7.5	15.3	6.1	5.2	.9	280.0
1970	3.6	1,590	5.6	9.2	14.8	6.7	5.8	.9	270.0
1971	3.0	1,582	4.7	8.1	12.8	6.2	5.4	.8	262.0
1972	3.0	1,517	4.6	6.6	11.2	4.2	3.8	.4	280.0
1973	2.6	1,413	3.7	7.0	10.7	4.2	3.7	.5	350.0
1974	1.9	1,724	3.2	6.5	9.7	3.6	3.1	.5	380.0
1975[2]	1.1	1,618	1.8	6.2	8.0				
	Total Shade-grown (types 61-62)								
1967	13.6	1,292	17.6	24.7	42.3	20.8	15.9	4.9	308.0
1968	13.4	1,343	18.1	21.5	39.6	20.0	16.2	3.8	276.0
1969	11.3	1,411	15.9	19.6	35.5	14.1	12.2	1.9	341.3
1970	9.6	1,555	14.9	21.4	36.3	14.3	12.4	1.9	351.0
1971	7.7	1,614	12.4	22.0	34.4	14.6	11.1	3.5	347.5
1972	7.1	1,365	9.7	19.8	29.5	11.8	8.6	3.2	387.0
1973	7.6	1,280	9.8	17.7	27.5	12.5	10.1	2.4	452.2
1974	6.6	1,652	11.0	15.0	26.0	10.4	6.0	4.4	536.1
1975[2]	5.6	1,434	8.0	15.6	23.6				
	Grand Total Cigar Tobacco (types 41-62)								
1967	54.3	1,642	89.1	259.4	348.5	111.0	102.9	8.1	85.7
1968	51.7	1,610	83.3	237.5	320.8	110.2	104.7	5.5	85.9
1969	46.7	1,645	76.7	210.6	287.3	98.0	94.9	3.1	97.7
1970	41.9	1,771	74.2	189.3	263.4	87.3	84.8	2.5	102.3
1971	41.9	1,734	72.7	176.2	248.9	92.5	88.5	4.0	96.7
1972	40.4	1,434	58.1	156.4	214.5	80.7	77.1	3.6	104.4
1973	39.1	1,627	63.2	133.8	197.0	75.9	72.6	3.3	116.1
1974	35.6	1,834	65.3	121.2	186.5	67.8	62.9	4.9	142.5
1975[2]	35.3	1,720	60.7	118.6	179.0				

[1] October 1 for types 41-55; July 1 for types 61-62. [2] Based on November 1 crop prospects. [3] Puerto Rican planting occurs late in calendar year; projected for 1975. [4] Excludes payment by Puerto Rican Government; 20 cents per pound in 1974. *Less than 50,000 pounds.

Foreign-grown cigar leaf tobacco: U.S. imports and stocks, 1972-75

Country of origin	Imports for consumption				Dealers and manufacturers stocks			
	Year ending September 30				October 1			
	1972	1973	1974	1975	1972	1973	1974	1975
	Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*
Philippines	29.1	25.1	42.6	20.5	37.7	33.2	41.0	37.9
Dominican Republic	11.4	15.3	14.1	17.8	10.4	16.6	19.8	21.0
Brazil	3.2	21.0	14.9	19.9	7.2	8.8	8.8	7.8
Colombia	10.0	11.7	7.2	8.4	10.6	13.4	13.8	11.3
Paraguay	4.5	8.0	5.4	8.1	4.3	7.3	8.1	8.8
Mexico	6.7	6.5	[1] 6.5	[1] 6.5	6.7	6.4	5.6	5.9
Indonesia	2.5	6.4	6.9	11.2	4.6	10.2	9.4	11.1
All others	19.1	19.0	33.5	22.8	13.6	19.5	19.6	25.6
Total	86.5	113.0	131.1	115.2	95.2	115.3	126.1	129.4

[1] Estimated at 1973-74 level.

Wrapper Supplies Decline

Cigar wrapper tobacco supplies for 1975/76 are about 9 percent below last year. Connecticut Valley wrapper supplies declined slightly and Georgia-Florida again declined with a considerable cut in production. Total carryover was up about 4 percent from last year. If disappearance steadies, carryover next July 1 will drop slightly below last July's 16 million pounds.

During July-October 1975, cigar wrapper exports were above the level of a year earlier. Exports were up for both Connecticut Valley wrapper and for Georgia-Florida. United Kingdom manufacturers again took a sizable quantity of Connecticut Valley wrapper this season to supply their expanding cigar market.

Wrapper Tobacco Growers Denied Relief from Imports

Following an investigation under the Trade Act of 1974, the U.S. International Trade Commission on November 5 stated that the decline in the U.S. production of large cigars was a more important cause of any injury to wrapper growers, particularly in Georgia and Florida, than were imports of wrapper.

Cigar wrapper is grown under cheesecloth covered frames in Connecticut, Massachusetts, Georgia, and Florida. It costs the most to grow of any U.S. crop and accounts for about 3 percent of the value of U.S. tobacco production. A major cigar manufacturer that annually purchased much of the crop had recently terminated farm contracts.

INTERNATIONAL DEVELOPMENTS

World Tobacco Harvest Up Again[2]

World tobacco production in 1975 of about 11.7 billion pounds is up 3 percent from 1974. Production increased in North America, South America, Europe, Africa, and Oceania, but declined in Asia and the USSR.

Flue-cured production was about 6 percent above last year. Output was up in the United States, Brazil, Japan, the Philippines, South Korea, Thailand, Malawi, and Rhodesia. However, a drop is indicated for the Peoples Republic of China (PRC), Canada and India. In most other major producing countries, production remained about unchanged from the year before, but substantially above the 1965-69 average (table 14).

In Rhodesia, the 1975 flue-cured harvest increased above the previous season, and is near the production goals of 200 million pounds. U.N. sanctions on Rhodesian trade continue, and unstable political conditions in that country and surrounding areas tend to limit the expansion of Rhodesia's tobacco crops.

Production in Canada decreased this season, as growers had smaller quotas. In the major Ontario production area, auctions began October 27. Prices for the first 15 days sales averaged 86 U.S. cents per pound compared with 93 cents a year earlier. Growers were dissatisfied with prices and suspended sales from mid-November to early December. Sales reopened after buyers reassured growers an average of 94 cents per pound for the entire crop.

Burley production in 1975 was up 11 percent from 1974 and was 50 percent above the 1965-69 average. The larger U.S. crop accounted for part of

[2] Data summarized from "World Production of Tobacco," Foreign Agriculture Circular FT 6-75, December 1975, available from Foreign Agriculture Service, Room 5918, USDA, Washington, D.C. 20250.

Table 13.--Tobacco: Acreage, yield, production, stocks, supply, disappearance, price and crop value, United States and Puerto Rico, 1947-75

(Farm-sales weight)

Crop year	Acreage	Yield per acre	Production	Stocks 1/	Supply	Disappearance 1/			Average price per pound to growers	Crop value
						Total	Domestic	Exports		
	1,000 acres	Pounds	Million pounds						Cents	Million dollars
	United States									
Average:										
1947-49	1,376	1,208	2,019	2,947	4,965	1,908	1,417	491	45.9	926
1950-54	1,690	1,292	2,184	3,382	5,566	2,006	1,479	527	51.2	1,118
1955-59	1,242	1,541	1,914	4,095	6,009	1,951	1,397	554	56.0	1,072
1960-64	1,159	1,879	2,178	3,911	6,089	2,037	1,468	569	60.0	1,307
1965	977	1,898	1,855	4,496	6,351	2,000	1,462	538	64.1	1,207
1966	972	1,939	1,885	4,351	6,236	2,098	1,392	704	66.5	1,252
1967	960	2,050	1,968	4,140	6,108	2,020	1,372	648	66.8	1,316
1968	879	1,945	1,710	2/4,088	5,798	1,975	1,352	623	69.5	1,189
1969	918	1,964	1,803	3,823	5,626	1,949	1,308	640	71.8	1,296
1970	898	2,122	1,906	3,678	5,584	1,919	1,278	639	72.9	1,389
1971	839	2,034	1,705	2/3,667	5,372	1,883	1,312	571	78.6	1,340
1972	842	2,076	1,749	2/3,488	5,237	1,951	1,312	639	83.0	1,451
1973	889	1,963	1,746	2/3,289	5,035	2,085	1,353	732	90.9	1,572
1974 3/	965	2,065	1,994	2/2,943	4,937	1,934	1,281	653	108.4	2,161
1975 4/	1,088	2,018	2,195	3,003	5,198				101.7	2,233
	United States and Puerto Rico									
Average:										
1947-49	1,710	1,200	2,045	3,012	5,057	1,942	1,447	495	45.6	932
1950-54	1,728	1,282	2,215	3,430	5,645	2,036	1,508	527	50.9	1,127
1955-59	1,270	1,528	1,941	4,147	6,088	1,981	1,426	555	55.6	1,080
1960-64	1,188	1,861	2,211	3,957	6,168	2,066	1,497	569	59.7	1,319
1965	994	1,882	1,871	4,559	6,430	2,027	1,489	538	64.8	1,212
1966	981	1,934	1,899	4,403	6,300	2,121	1,415	704	66.2	1,256
1967	967	2,045	1,979	4,181	6,160	2,037	1,390	648	66.7	1,319
1968	885	1,941	1,718	2/4,122	5,840	1,992	1,368	623	69.3	1,191
1969	923	1,960	1,810	3,849	5,658	1,961	1,320	640	71.7	1,298
1970	902	2,120	1,912	3,698	5,609	1,928	1,288	639	72.9	1,391
1971	844	2,031	1,714	2/3,682	5,394	1,893	1,321	571	78.4	1,342
1972	848	2,068	1,759	2/3,501	5,256	1,959	1,320	639	82.9	1,453
1973	894	1,960	1,752	2/3,298	5,050	2,091	1,359	732	89.9	1,574
1974 3/	966	2,066	1,998	2/2,953	4,951	1,942	1,289	653	108.3	2,162
1975 4/	1,091	2,016	2,199	3,009	5,208				101.6	2,235

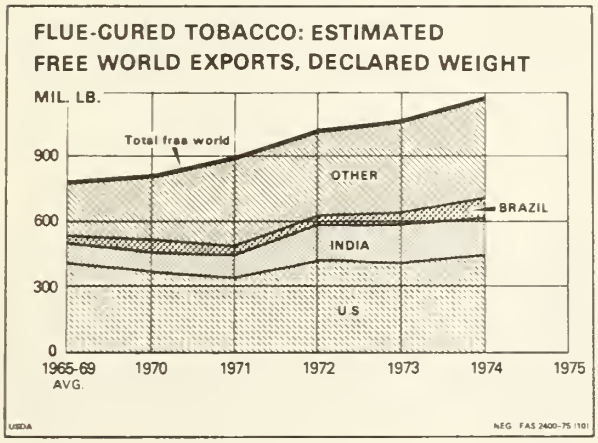
1/ For flue-cured and cigar wrapper, year beginning July 1; for all other types, October 1. 2/ Includes flue-cured carried over on farms; 1968, 13 million pounds; 1971, 16 million pounds; 1972, 17 million pounds; 1973, 7 million pounds for flue-cured and 13 million pounds for burley, 1974, 5 million pounds for flue-cured. 3/ Subject to revision. 4/ Preliminary.

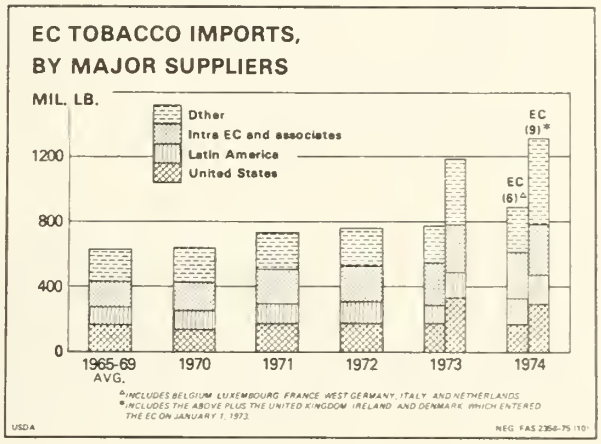
Table 14—Flue-cured and Oriental tobacco production in specified countries, average 1965-69, 1974-75

Country	Average 1965-69	1974[1]	1975[2]	Country	Average 1965-69	1974[1]	1975[2]
	Million pounds	*Million pounds*	*Million pounds*		*Million pounds*	*Million pounds*	*Million pounds*
Flue-cured:				Flue-cured—continued:			
Canada	208	252	219	Khmer	10	4	4
Mexico	12	10	4	South Korea	106	157	165
Brazil	144	243	380	Pakistan	60	52	66
Angola	9	11	11	Philippines	76	66	74
Mozambique	5	4	3	Thailand	37	67	87
Zambia	13	14	16	South Vietnam	5	6	6
Malawi	4	23	31				
Rhodesia	187	165	200				
Tanzania	11	26	23	Total	1,500	1,745	1,833
Uganda	4	2	1				
South Africa	34	43	39	Oriental:			
Iran	10	7	6	Greece	204	155	211
China, Rep. of	39	39	39	Bulgaria	242	279	295
Sri Lanka	7	11	11	Yugoslavia	94	96	104
India	212	310	210	Turkey	345	430	396
Indonesia	35	34	35				
Japan	272	199	203	Total	885	960	1,006

[1] Subject to revision. [2] Preliminary.

Compiled from reports of Foreign Agricultural Service.





the gain. In Italy, the next largest burley producer, output stabilized. Output was higher in South Korea.

Oriental leaf production was virtually unchanged in 1975, but remains 16 percent above the 1965-69 average. Russia's output decreased 5 percent, while in Greece and Turkey, old crop stocks were negligible and 1974 prices soared. Foreign growers are again expecting a strong market for their crops. U.S. firms continue to purchase oriental leaf in Italy where the buyers' premium makes the price attractive.

U.S. Announces Trade Preferences; Tobacco Not Included

The United States announced in late November a list of about 300 agricultural items that will be made duty-free starting January 1 for exporters from nearly 140 foreign countries. Countries eligible for duty-free treatment include most all of Africa, Latin America, and Asia.

The preferences are part of a U.S. effort to help developing countries increase their exports. More than 20 other industrial nations, including the EC, have similar programs. U.S. preferences may be extended for up to 10 years, under the 1974 Trade Expansion Act.

Most of the goods eligible for preferences are manufactured and semimanufactured items with smaller numbers of agricultural products and raw materials. Among the products *excluded* from the list are tobacco leaf and tobacco scrap. U.S. cigar manufacturers had requested the inclusion of tobacco scrap on the list.

Table 15—United Kingdom tobacco: Imports, stocks, clearances, and exports, 1973-75

Item	January-September			Item	January-September		
	1973	1974	1975		1973	1974	1975[1]
	Million pounds	*Million pounds*	*Million pounds*		*Million pounds*	*Million pounds*	*Million pounds*
Imports, by source:				Gross clearances:			
United States	57	48	33	Full duty rate	118	119	107
Commonwealth	112	121	115	Commonwealth rate	120	118	95
Other	49	61	58				
Total	218	230	206	Total	238	237	202
Exports:				Flue-cured, by source:			
Manufactured products	43	45	53	United States	87	75	63
				Commonwealth	118	118	90
				Other	22	32	37
Unmanufactured	6	4	4	Subtotal	226	225	190
Stocks, Sept. 30:				Other tobaccos	12	12	12
Flue-cured, total	321	360	[1] 382				
United States	108	119	[1] 105				
Total, all kinds	345	384	[1] 420	Net clearances:	187	176	([2])

[1] Through August 31. [2] Not available.

Compiled from official United Kingdom sources.

Table 16—Japan tobacco: Imports, by major suppliers, 1965-75

Year	United States	India	Thailand	Bulgaria, Greece, Turkey, Yugoslavia	Other countries	Total	United States as a percent of—	
							Total	Non-oriental imports[1]
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Percent*	*Percent*
1965	28	1	4	8	14	55	50.0	58.8
1966	47	3	3	11	7	71	67.1	79.5
1967	40	6	3	15	1	65	61.9	80.6
1968	35	7	4	13	1	60	58.8	75.3
1969	47	6	3	16	1	73	63.9	81.9
1970	44	6	6	16	1	73	60.3	78.0
1971	54	9	8	23	6	100	53.6	69.5
1972	69	10	9	36	8	132	51.9	71.5
1973	69	10	6	25	17	127	54.1	67.6
1974	85	11	7	30	37	170	50.0	60.8
1975[2]	99	6	7	21	25	158	62.8	86.8

[1] Total less Bulgaria, Greece, Turkey, and Yugoslavia. [2] January-July.

COSTS OF OPERATING FLUE-CURED TOBACCO WAREHOUSES IN 1974

by
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ABSTRACT: Operating costs averaged slightly more than $100,000 per warehouse firm or about $25 per thousand pounds of tobacco sold in 1974. Costs of operating flue-cured tobacco warehouses vary considerably. Total costs averaged $30 per thousand pounds in small volume firms and $22 per thousand sold in large volume firms. Labor costs were almost two-thirds of variable expenses and ranged widely among warehouses, suggesting that labor efficiency could be increased.

KEYWORDS: Flue-cured tobacco, tobacco marketing, warehouse firms, variable costs, fixed costs, net revenue, gross revenue.

Farmers sell their flue-cured tobacco to manufacturers and dealers through an auction warehouse system on the basis of physical inspection. In 1975 more than 300 firms operated warehouses that served as collection points and provided weighing, auction, and related services for flue-cured tobacco growers. Firms located in North Carolina, Virginia, South Carolina, and Georgia provided these services largely on a commission basis.

Maximum charges by auction warehouse firms are specified by State laws. Selling fees paid by farmers have averaged about 3 percent of the gross sales value of the crop for many years. Thus, as the prices received by farmers for tobacco have risen, so have their selling costs. On the other hand, costs of operating auction warehouses have also risen.

The costs of operating auction warehouses for the 1974 marketing season were obtained from a survey of 48 warehouse operators in North Carolina, Virginia, South Carolina, and Georgia. The warehouse sample was stratified on the basis of volume of sales during the 1973 season. With information about 1974 marketings, some modifications were made in the original stratification for size grouping. The size groupings, based on 1974 sales, are as follows: 1) Small—firms selling less than 3.5 million pounds; 2) Medium—firms selling from 3.5 to 7.0 million pounds; and 3) Large—firms selling more than 7.0 million pounds.

Warehouse firms averaged 4.12 million pounds of tobacco sold in 1974. They averaged 98,000 square feet of floor space and a capacity of 2,335 sheets.

WAREHOUSE FIRM OPERATING COSTS

Costs can be classified as either fixed or variable. Variable costs are those that change as the volume of tobacco handled increases or decreases. Fixed costs are those that remain the same regardless of the amount of tobacco sold during the season. Cost estimates include only those incurred by the warehouse operator. Not included are costs of sale-breaking and buying which are paid by the leaf purchaser.

VARIABLE COSTS

Variable costs include labor, bank charges, supplies, public relations, utilities and interest on operating capital. Cost estimates in table 1 reflect these items: 1) per warehouse, 2) per 1,000 pounds of leaf sold and 3) per 100 square feet of floor space. Vari-

able costs comprised roughly three-fifths of total warehouse costs.

Labor expenses accounted for almost two-thirds of variable expenses. Of the total labor costs 91 percent went for wage and salary payments and the remainder represented costs for unemployment insurance, workmen's compensation, social security, and health insurance. Of the total labor costs, 41 percent was for the flooring crew, 30 percent was for the sales crew, and 20 percent for the office crew. Labor costs per 1,000 pounds of tobacco sold declined only slightly with increased sales volume (table 1).

Flooring, sales, and office crews took 3.0 hours of labor per 1,000 pounds in small volume warehouses, compared with 2.1 hours in large volume warehouses *(1)*. The range in labor costs was only 44 cents per 1,000 pounds, somewhat less than the difference in labor use would suggest. However, more unpaid labor was used in smaller warehouses, salaried employees were better paid in larger warehouses and a higher percentage were salaried, and larger warehouses employ more forklift and conveyor operators who are paid higher wages than other laborers.

Labor costs varied considerably among warehouses, suggesting that labor efficiency could be increased in many warehouses. Graves concluded that flooring labor crew costs could be reduced significantly with efficiently operated conveyor-forklift operations *(2)*. Since labor is such a large cost component, its management is very important in order to achieve cost savings.

Public relations expenses included business travel, advertising, and entertainment and were a significant cost item accounting for 8.5 percent of variable costs. Large volume warehouses spent more than $12,000 on public relations compared to $3,400 for small volume warehouses. However, on the basis of volume sold, small volume warehouses spent $1.48 per 1,000 pounds compared with $1.24 per 1,000 pounds in large volume warehouses. Medium volume warehouse expenditures were even lower—$1.06 per 1,000 pounds sold.

Public relations expenses probably increased in 1974 with the adoption of the Grower Designation Plan. Under this plan, sales time was allocated proportional to the volume of tobacco designated by growers to be sold in individual warehouses rather than on the basis of floor space and previous years sales. Competition for grower designations likely was expressed in intensified public relations efforts.

Bank charges represented about 6.6 percent of warehouse variable costs, ranging from 5.1 percent in the largest volume warehouses to 7.6 percent in the smallest volume warehouses. These charges are for credit extended warehousemen by banks to cover financing between the time the warehouseman issues a check to growers and receives payment from the leaf purchaser.

Expenditures for supplies were 6.8 percent of variable costs. Supply expenses were highest per unit of tobacco sold for the smallest volume warehouses and lowest for the medium volume warehouses.

Utility expenses comprised 3.5 percent of variable expenses. They were slightly higher per unit volume sold on smaller than in larger firms

Interest costs amounted to 2.5 percent of variable costs. Interest on variable expenses (excluding bank charges) was calculated at 9 percent per annum for 3 months.

Other variable costs such as hired trucking and losses not covered by insurance are those that do not fit the specified categories. These costs varied considerably from one warehouse to another but averaged 9.6 percent of variable costs.

FIXED COSTS

Fixed costs were classified as depreciation, maintenance, insurance, taxes, licenses, bonds and interest on investment. Fixed costs comprise a little more than two-fifths of total warehouse costs.

Methods of calculating depreciation vary widely among firms, therefore standardized rates were used to permit comparisons among size groups. Depreciation costs were figured on the basis that current warehouses average $3.50 per square foot in value and have an average additional useful life of 25 years. This value is low for new warehouses, because it likely would cost $5.00 or more per square foot to construct a new warehouse. On the other hand, the $3.50 figure probably overvalues some warehouses.

Depreciation (buildings, flooring equipment and office equipment) comprised 36.2 percent of fixed costs. Depreciation was somewhat higher per unit volume of sales in the smaller warehouses, $4.77 per 1,000 pounds of tobacco versus $3.32 and $3.36 in medium and large warehouses, respectively. The difference was due to considerably more floor space available per unit volume of tobacco handled in small than in medium and large volume warehouses.

Maintenance costs tend to vary widely from year to year among individual warehouses. Thus a very large sample is needed if reliable maintenance costs are to be derived from survey data. Maintenance costs therefore were estimated using a standard annual rate of 1 percent of the assumed current value of the warehouses. Maintenance costs per unit volume of tobacco sold declined as volume sold rose because warehouse floor space is more fully utilized, on the average, in warehouses selling larger quantities of tobacco. For all warehouses, maintenance costs averaged 8.2 percent of fixed costs.

Table 1 –Warehouse firm costs for marketing flue-cured tobacco, by 3 firm sizes, 4 State study area, 1974

Type of cost	All warehouses			Less than 3.5 million pounds			3.5 to 7.0 million pounds			Over 7.0 million pounds		
	Average cost per:			Average cost per:			Average cost per:			Average cost per:		
	warehouse	100 sq. ft.	1000 lbs. sold	warehouse	100 sq. ft.	1000 lbs. sold	warehouse	100 sq. ft.	1000 lbs. sold	warehouse	100 sq. ft.	1000 lbs. sold
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
Variable Costs:												
Labor Total	37,207	37.96	9.03	21,383	29.70	9.22	42,084	42.94	9.17	83,744	42.30	8.53
Office crew	7,487	7.64	1.82	4,668	6.48	2.01	8,546	8.72	1.86	15,144	7.65	1.55
Flooring crew	15,160	15.47	3.68	9,922	13.78	4.28	16,002	16.33	3.49	33,318	16.83	3.42
Sales crew	11,352	11.58	2.75	5,080	7.06	2.19	14,063	14.35	3.06	27,140	13.71	2.72
Other Labor	3,208	3.27	.78	1,713	2.38	.74	3,473	3.54	.76	8,142	4.11	.84
Bank charges	3,916	4.00	.95	2,833	3.93	1.22	4,341	4.43	.95	6,790	3.43	.70
Supplies	4,056	4.14	.98	2,621	3.64	1.13	4,034	4.12	.88	9,914	5.01	1.02
Public relations	5,038	5.14	1.22	3,435	4.77	1.48	4,855	4.95	1.06	12,132	6.13	1.24
Utilities	2,069	2.11	.50	1,061	1.47	.46	1,881	1.92	.41	5,524	2.79	.57
Interest (operating)	1,491	1.52	.36	916	1.27	.40	1,594	1.63	.35	3,376	1.71	.35
Other	5,723	5.84	1.39	4,820	6.69	2.08	5,102	5.21	1.11	11,451	5.78	1.17
Total Variable Costs	59,500	60.71	14.43	37,069	51.47	15.99	63,891	65.20	13.93	132,931	67.15	13.58
Fixed Costs:												
Depreciation	15,070	15.38	3.66	11,055	15.35	4.77	15,220	15.53	3.32	32,720	16.52	3.36
Maintenance	3,410	3.48	.83	2,520	3.50	1.09	3,430	3.50	.75	6,930	3.50	.71
Insurance	6,100	6.22	1.48	5,625	7.81	2.43	6,275	6.40	1.37	7,400	3.74	.76
Taxes	2,558	2.61	.62	1,890	2.63	.82	2,573	2.63	.56	5,198	2.63	.53
Licenses and bonds	263	.27	.06	196	.27	.08	311	.32	.07	366	.18	.04
Interest	14,210	14.50	3.45	10,540	14.64	4.55	14,380	14.67	3.13	28,400	14.34	2.91
Total Fixed Costs	41,611	42.46	10.10	31,826	44.20	13.74	42,189	43.05	9.20	81,014	40.91	8.31
Total Costs	101,111	103.17	24.53	68,895	95.67	29.73	106,080	108.25	23.13	213,945	108.06	21.89
Net Returns to Management, Unpaid Labor, and Land	42,712	43.58	10.37	16,072	22.34	6.94	16,222	47.16	10.06	137,181	69.27	14.11

Insurance costs fluctuated with the size of firm and much variation was found within and among the various scales of operation. Insurance costs averaged highest per unit volume in small volume warehouses and lowest in the large volume warehouses. On the average, large sales volume warehouse firms have a cost advantage over small volume firms in insurance expenditures.

The amount of taxes paid by warehouse firms varies with location. On the average, taxes were 6.1 percent of fixed costs. On a per unit volume basis tax payments declined as volume increased.

Expenditures for licenses and bonds amounted to less than 1 percent of fixed costs. These costs per unit volume declined as volume increased, 4 cents per 1,000 pounds sold in large warehouses versus 8 cents per 1,000 pounds in small volume warehouses.

Interest on investment was figured at 8 percent of the average value of the investment over its assumed life. The importance of interest costs was second only to depreciation, comprising 34.1 percent of fixed costs.

TOTAL COSTS, NET AND GROSS REVENUE

Total costs (variable and fixed) averaged over $100,000 per warehouse firm or $24.53 per 1,000 pounds of tobacco sold. Large volume warehouse costs per 1,000 pounds of tobacco sold were 73 percent of those in small volume warehouses (table 2). For the large volume firms, average fixed costs per unit volume were only three-fifths of those of small volume firms. This reflects the cost economies of spreading fixed investments over a larger sales volume.

Gross revenue from tobacco related activities in warehouse firms averaged about $144,000, ranging from $85,000 in small volume warehouses to $351,000 in large volume warehouses. This revenue came from three fees assessed growers for the selling service: (1) a commission of 2.5 percent of the value of the tobacco, and except in Virginia, an auction fee of 15 cents on all piles of 100 pounds or less and 25 cents on all piles over 100 pounds. In Virginia the auction fee is 25 cents per pile regardless of size. Weighing and handling fees are 10 cents a pile on piles of 100 pounds or less and 10 cents for each additional 100 pounds except in Virginia where the charge is 10 cents per 100 pounds. These fees are maximums established by State law. These maximum charges have essentially become the standard charges.

In addition to fees charged tobacco growers, warehousemen receive income from tobacco bought from farmers and resold and pickups and floor sweepings. Any other income derived from the warehouse but not related to selling tobacco is excluded.

Net returns, defined as the residual return to management, unpaid labor, and land ranged from an average of $6.94 per 1,000 pounds for small volume to $14.11 per 1,000 pounds for large volume warehouses. Of course, any individual warehouse may have costs and revenues somewhat different than the averages reported.

SUMMARY

Estimates of operating costs in 1974 for flue-cured tobacco auction warehouses ranged from $29.73 per 1,000 pounds sold for small volume to $21.89 for large volume warehouses. A range in fixed costs of $5.43 per 1,000 pounds sold indicates economies of scale. Large volume warehouses were also somewhat more efficient in their use of variable inputs. Variable costs averaged $2.41 less per 1,000 pounds for large volume than for small volume warehouses. Labor was the major variable cost item. Some efficiency in labor use might be achieved through adoption of handling technology.

REFERENCES

(1) Grise, Verner N., "Flue-Cured Tobacco Warehouses; Handling Systems, Labor Use and Work Force Characteristics," a paper presented to the 26th Tobacco Workers Conference, Charleston, South Carolina, January, 1975.

(2) Graves, Albert H., "Improving the Receiving of Tobacco at Auction Warehouses," ARS-S-28, November 1973.

Table 2—Flue-cured tobacco auction warehouse costs, by size of firm, 1974

Category of firm	Number of firms	Size of firm-sales		Average costs per 1,000 pounds of tobacco sold		
		Average	Range	Variable	Fixed	Total
	Number	*Million pounds*	*Million pounds*	*Dollars*	*Dollars*	*Dollars*
Small	15	2.3	Less than 3.5	15.99	13.74	29.73
Medium	22	4.6	3.5-7.0	13.93	9.20	23.13
Large	11	9.7	Over 7.0	13.58	8.31	21.89
Average-all	---	4.1	---	14.43	10.10	24.53

RECENT PUBLICATIONS

Employment Changes in the Flue-cured Tobacco Area 1960-70, Edward J. Smith, USDA Agricultural Economic Report No. 309.[1] Analyzes farm and non-farm employment changes in 193 counties and 45 multicounty areas in Virginia, North Carolina, South Carolina, Georgia, and Florida.

"Flue-cured Tobacco Mechanization Developments and Adjustments", Owen K. Shugars and Frederic L. Hoff, talk presented at the National Agricultural Outlook Conference, USDA, Washington, D.C., November 20, 1975.[1] Summarizes labor reduction in flue-cured harvest based on three levels of demand. An estimated 18 percent of the 1975 crop was mechanically harvested and 38 percent cured in bulk barns.

"Hired Tobacco Harvest Work Force Characteristics in Eight County Area of North Carolina," Dale M. Hoover and Leaon B. Perkinson, paper presented at American Agricultural Economics Association Meeting, Columbus, Ohio, August 10-13, 1975.[2] Seasonal workers, youth and women account for most of the job losses in tobacco harvest mechanization.

"Long Term Trends in Tobacco Consumption and Production", Richard Hall, talk presented at National Agricultural Outlook Conference, USDA, Washington, D.C., November 20, 1975.[1] Summarizes U.S. and world trend in production, and consumption and United States imports since 1960. Indicates U.S. growers face further loss of domestic and foreign markets.

"Outlook for Tobacco,"by Robert H. Miller, talk presented at the National Agricultural Outlook Conference, USDA, Washington, D.C., November 20, 1975.[1] Discusses tobacco products, U.S. exports and imports, tobacco leaf.

Teenage Smoking—National Patterns of Cigarette Smoking, Ages 12 Through 18, in 1972 and 1974, U.S. Public Health Service, National Institutes of Health, DHEW Publication No. (NIH) 76-931.[3] Telephone interviews of 2,553 boys and girls in January 1974 indicated the proportion of girls who smoke continued to increase from the 1972 survey, but the proportion of boys who smoked was virtually unchanged. The overall smoking rate of 15½ percent is about the same for both boys and girls.

Wrapper Tobacco (Report to the President on Investigation No. TA-201-3 under Section 201 of the Trade Act of 1974) United States International Trade Commission, Publication 746, November 1975.[4]

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[1]Available from ERS Publications, Room 0054, USDA, Washington, D.C.

[2]Available from Economics Department, North Carolina State University, P. O. Box 5368, Raleigh, N. C. 27609.

[3]Available from National Clearinghouse on Smoking and Health, Center for Disease Control, Building No. 9, Atlanta, Georgia 30333.

[4]Available from USITC, Washington, D.C. 20436.

STATISTICAL SUMMARY

Item	Unit or base period	1974 Oct.	1974 Nov.	1975 Sept.	1975 Oct.	1975 Nov.	Last data as percentage of a year earlier
Average price at auctions							
Flue-cured	Ct. per lb.	111.5	103.9	104.4	105.5	99.3	96
Burley	Ct. per lb.	---	111.7	---	---	105.6	95
Maryland	Ct. per lb.	C - l - o - s - e - d		C - l - o - s - e - d			---
Virginia fire-cured	Ct. per lb.	C - l - o - s - e - d		C - l - o - s - e - d			---
Ky.-Tenn. fire-cured	Ct. per lb.	C - l - o - s - e - d		C - l - o - s - e - d			---
Ky.-Tenn. dark air-cured	Ct. per lb.	C - l - o - s - e - d		C - l - o - s - e - d			---
Virginia sun-cured	Ct. per lb.	C - l - o - s - e - d		C - l - o - s - e - d			---
Support price 1/							
Flue-cured	Ct. per lb.	83.3		93.2			112
Burley	Ct. per lb.	85.8		96.1			112
Maryland	Ct. per lb.	No support		No support			---
Virginia fire-cured	Ct. per lb.	58.2		65.2			112
Ky.-Tenn. fire-cured	Ct. per lb.	58.2		65.2			112
Ky.-Tenn. dark air-cured	Ct. per lb.	51.8		58.0			112
Virginia sun-cured	Ct. per lb.	51.8		58.0			112
Connecticut Valley cigar binder	Ct. per lb.	59.4		66.5			112
Wis. binder and Ohio filler	Ct. per lb.	42.9		48.0			112
Puerto Rican filler	Ct. per lb.	44.6		49.9			112
Parity index 2/	1910-14=100	602	609	645	644	644	106
Industrial production index 3/	1967=100	124.8	121.7	116.1	116.6	116.8	96
Employment	Mil.	86.3	85.7	85.4	85.4	85.3	100
Personal income 4/	Bil. dol.	1,185.0	1,184.5	1,270.9	1,283.6		108
		1974 Sept.	1974 Oct.	1975 Aug.	1975 Sept.	1975 Oct.	
Taxable removals							
Cigarettes	Bil.	48.1	55.6	50.4	52.7		110
Cigars and cigarillos	Mil.	569.6	656.5	483.0	489.8		86
Accumulated from Jan. 1							
Cigarettes	Bil.	438.0	493.6	386.0	438.7		100
Cigars and cigarillos	Mil.	4,703.9	5,353.4	3,816.3	4,315.1		92
Invoiced to domestic customers		Jan.-Sept.		Jan.-Sept.			
Accumulated from Jan. 1							
Smoking tobacco	Mil. lb.	36.1		32.9			90
Chewing tobacco	Mil. lb.	59.2		58.5			99
Snuff	Mil. lb.	18.5		19.2			104
Tax-exempt removals							
Cigarettes	Bil.	4.5	4.3	5.2	5.6		124
Exports	Bil.	3.7	4.2	4.1	5.4		129
Cigars and cigarillos	Mil.	16.8	13.0	15.0	10.4		81
Accumulated from Jan. 1							
Cigarettes	Bil.	45.3	50.6	39.5	45.2		86
Exports	Bil.	35.2	39.5	32.0	36.1	41.5	105
Cigars and cigarillos	Mil.	108.2	119.9	86.3	96.7		90
Invoiced for export							
Accumulated from Jan. 1							
Smoking tobacco	Mil. lb.	0.8		0.8			100
Chewing tobacco	Mil. lb.	.1		.1			100
Wholesale price indexes 5/							
Cigarettes (reg. nonfilter)	1967=100	140.2	140.2	153.9	153.9	153.9	110
Cigars	1967=100	118.4	119.3	122.0	123.6	125.2	105
Smoking tobacco	1967=100	135.9	135.9	163.7	163.7	163.7	120
Plug chewing tobacco	1967=100	136.2	136.2	175.0	175.0	175.0	128
Snuff	1967=100	157.1	161.9	184.3	184.3	184.3	114
Consumer price indexes (urban) 6/							
Cigarettes (reg. nonfilter)	1967=100	148.5	149.2	156.4	156.4	156.7	105
Cigarettes (filter tip king)	1967=100	148.6	149.6	157.1	157.0	156.6	105
Cigars (domestic reg. size)	1967=100	121.3	121.5	124.6	124.8	125.4	103
Imports of tobacco							
Cigarette leaf	Mil. lb.	15.7	19.5	16.1	15.8	13.7	70
Cigar tobacco 7/	Mil. lb.	19.4	11.4	11.8	11.5	11.6	102
Accumulated from Jan. 1							
Cigarette leaf	Mil. lb.	139.5	158.9	150.5	166.3	180.1	113
Cigar tobacco 7/	Mil. lb.	120.5	132.0	104.0	115.5	127.1	96

See footnotes at end of table.

Continued -

Item	Unit or base period	1974 Sept.	1974 Oct.	1975 Aug.	1975 Sept.	1975 Oct.	Last data as percentage of a year earlier
Exports of leaf tobacco (farm-sales weight)							
Flue-cured	Mil. lb.	31.5	61.5	37.8	35.1	49.9	80
Burley	Mil. lb.	6.9	3.7	4.8	8.4	8.0	216
Maryland	Mil. lb.	1.7	1.6	.7	.4	.2	12
Virginia fire- & sun-cured	Mil. lb.	.5	.2	.6	.6	.5	250
Ky.-Tenn. fire-cured	Mil. lb.	2.5	1.1	.5	1.7	1.5	145
Ky.-Tenn. dark air-cured	Mil. lb.	.3	*	0	0	*	---
Black Fat	Mil. lb.	*	*	*	.3	*	---
Cigar wrapper	Mil. lb.	.1	.4	.4	.3	.3	75
Connecticut binder	Mil. lb.	*	*	*	*	*	---
Wisconsin binder	Mil. lb.	0	0	0	0	0	---
Accumulated from beginning of marketing year 8/							
Flue-cured	Mil. lb.	105.9	167.4	58.7	93.9	143.8	86
Burley	Mil. lb.	86.8		59.5	67.9		78
Maryland	Mil. lb.	12.3		8.0	8.5		69
Virginia fire- & sun-cured	Mil. lb.	4.7		4.7	5.2		111
Ky.-Tenn. fire-cured	Mil. lb.	23.4		13.1	14.8		63
Ky.-Tenn. dark air-cured	Mil. lb.	1.0		.5	.5		50
Black Fat	Mil. lb.	2.6		2.3	2.6		100
Cigar wrapper	Mil. lb.	.4	.8	.6	.9	1.2	150
Connecticut binder	Mil. lb.	.1		.2	.2		200
Wisconsin binder	Mil. lb.	*		*	*		---
Cigar filler	Mil. lb.	.8		.2	.3		38
Exports of manufactured tobacco in bulk	Mil. lb.	3.3	3.1	.1	.6	.9	29
Accumulated from Jan. 1	Mil. lb.	28.5	31.6	13.4	14.0	14.9	47
		Quarterly data					
		1974 July-Sept.	1974 Oct.-Dec.	1975 July-Sept.	1975 Oct.-Dec.		
Stocks of tobacco--1st of quarter 9/							
Domestic types (farm-sales weight)							
Flue-cured	Mil. lb.	1,607	2,156	1,652	2,231		103
Burley	Mil. lb.	1,217	1,071	1,224	1,094		102
Maryland	Mil. lb.	68	62	67	61		98
Fire-cured	Mil. lb.	64	52	57	48		92
Dark air- and sun-cured	Mil. lb.	46	40	40	35		90
Cigar filler	Mil. lb.	67	63	71	61		97
Cigar binder	Mil. lb.	50	43	47	42		98
Cigar wrapper	Mil. lb.	15	16	16	16		100
Under Government loan 10/	Mil. lb.	433	428	221	354		83
Tobacco sheet 11/							
Cigarette types	Mil. lb.	23.0	24.0	22.4	24.7		103
Cigar types	Mil. lb.	1.6	1.1	1.5	1.4		127
Foreign types (flue-cured weight							
Cigarette and smoking	Mil. lb.	497	493	623	587		119
Cigar	Mil. lb.	124	126	134	129		102
Tobacco outlets 12/							
Seasonally adjusted data, annual rates, for charts, p.2							
Cigarettes							
Production	Bil.	608.0	629.2	642.7	675.0		107
Taxable removals	Bil.	553.6	574.6	579.1	607.0		106
Large cigar production	Bil.	6.83	6.70	5.66	6.40		96
Smoking production	Mil. lb.	49.8	48.2	45.4	46.9		97
Chewing production							
Loose leaf	Mil. lb.	55.6	57.0	47.5	57.1		100
Plug and other	Mil. lb.	26.5	27.0	28.6	27.0		100
Snuff production	Mil. lb.	25.3	25.5	25.1	25.4		100
Imports of leaf							
Total	Mil. lb.	542.9	728.9	447.3	700.0		96
Flue-cured	Mil. lb.	406.6	625.7	360.7	600.0		96

1/1974 and 1975 crops respectively. 2/Prices paid by farmers including interest, taxes and wage rates. 3/Seasonally adjusted. 4/Seasonally adjusted, annual rate. 5/Excise tax excluded. 6/Federal and applicable state and local taxes included. 7/Farm-sales weight equivalent. 8/July 1 for flue-cured and cigar wrapper and October 1 for others. 9/Holdings of manufacturers and dealers including grower cooperatives. 10/Reported by grower cooperatives. 11/Weight of tobacco leaf not including stems added. 12/Data for most recent quarter are preliminary estimates. *Less than 50,000 pounds. Detail may not add to total due to rounding.

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